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Review of the structure and functions of all liaison offices or representation in New York of organizations headquartered elsewhere funded from the regular budget

Report of the Secretary-General*

Summary

By its resolution 58/270 of 23 December 2003, the General Assembly, inter alia, requested the Secretary-General to review the structure and functions of all liaison or representation offices in New York of organizations headquartered elsewhere funded from the regular budget and to report to the Assembly.

The information provided in the present report includes a description of the functions and the level of staff resources of these representative offices in New York.

* The present document is issued at this time owing to the requirement for extensive consultations with the offices concerned.



I. Introduction

1. In paragraph 47 of its resolution 58/270 of 23 December 2003, the General Assembly requested the Secretary-General to review the structure and functions of all liaison or representation offices in New York of organizations headquartered elsewhere funded from the regular budget and to report to the Assembly.

II. Structure and functions

2. The aforementioned request was brought to the attention of all the representative offices in New York of organizations headquartered elsewhere funded from the regular budget, namely the United Nations Conference on Trade and Development (UNCTAD), the United Nations Environment Programme (UNEP), the United Nations Human Settlements Programme (UN-HABITAT), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the Office of the United Nations High Commissioner for Human Rights (OHCHR), the United Nations Office at Vienna (UNOV), the United Nations Office on Drugs and Crime (UNODC) and the New York office of the regional commissions. Consultations were also held with the representatives of these offices in terms of possibilities for improving their effectiveness.

3. The functions and the level of staff resources of these representation offices in New York are summarized below.

United Nations Conference on Trade and Development

Posts: regular budget — 1 P-5, 1 P-3 and 2 GS

4. The New York office of UNCTAD is responsible for: provision of policy advice from UNCTAD to intergovernmental bodies in New York, particularly the Second Committee of the General Assembly and the Commission on Sustainable Development, as well as to members of delegations in New York on all matters relating to intersection of trade, investment, finance, technology and development; identification of policy declarations, research reports and technical cooperation inputs from delegations, intergovernmental bodies, United Nations agencies and programmes and North American-based sources that would enhance programme implementation at UNCTAD; coordination with United Nations system organizations in New York and Washington, D.C., including through the Executive Committee on Economic and Social Affairs, the United Nations Development Group and the Millennium Project Task Forces, on a range of inter-agency matters, including policy coherence, institutional arrangements and programme implementation on all matters of importance to UNCTAD; facilitation of technical cooperation and capacity development on trade, investment and technology-related matters with permanent missions in New York and technical assistance agencies, particularly the Department of Economic and Social Affairs, the United Nations Development Programme (UNDP) and the World Bank; and provision of a North American access point for information to the public, universities, media and research centres on the research policy and technical cooperation activities of UNCTAD.

United Nations Environment Programme

Posts: regular budget — 1 P-4, 1 P-2 and 2 GS

5. The New York office of UNEP is responsible for both representational and substantive programmatic activities, and is the location of the Policy Coordination and Inter-agency Affairs branch of the Division of Policy Development and Law. The office serves as a vital link for UNEP in the three main areas of inter-governmental meetings, inter-agency matters and outreach activities.
6. Through its comprehensive workload, the office has a dual reporting line, to both the office of the UNEP Executive Director and the Division of Policy Development and Law. As the representative office of the UNEP Executive Director, it acts on his behalf in many activities related to the work undertaken by the Office of the Executive Director (e.g. in United Nations reform matters and Senior Management Group follow-up, initiatives launched by the Executive Office of the Secretary-General and linkages with the United Nations Secretariat).
7. The New York office ensures, through its participation in inter-governmental meetings, that the UNEP mandate and activities on a wide variety of environmental policy issues are taken into account in the deliberations and recommendations of the General Assembly and the Economic and Social Council and its subsidiary bodies located at United Nations Headquarters, as well as special United Nations summits and conferences. In this regard, the New York office is the UNEP focal point for the Council and the Commission on Sustainable Development. The office also provides guidance and support to the UNEP Governing Council/Global Ministerial Environment Forum through the preparation of key policy documents and by providing substantive support to intergovernmental processes, such as that on international environmental governance and the development of strategic action plans on capacity-building. The location of the office in New York enables close cooperation in these areas with, inter alia, the United Nations Secretariat and UNDP.
8. The UNEP role in the coordination of United Nations system-wide activities in the field of the environment is ensured by the participation of the New York office in major inter-agency meetings, such as the United Nations System Chief Executives Board for Coordination (CEB) and Executive Committees, as well as linkages with agencies, funds and programmes and departments of the United Nations system. The office develops strategies and specific policy initiatives and proposals in this regard. It also undertakes substantive collaborative initiatives with partners in the United Nations system, such as the United Nations Children's Fund and the World Health Organization in the field of health and environmental linkages, especially its effects on children. The New York office is also the UNEP focal point for its membership in the United Nations Development Group and coordination of programmatic activities related to country-level capacity development and technical cooperation.
9. With the role and influence of civil society greatly expanding within the international community, the New York office has a key role in developing and maintaining active contacts with United Nations-affiliated non-governmental organizations (NGOs), foundations, private sector corporations, academic institutions, religious and indigenous groups and others. Through various outreach initiatives and products, the office builds support among such groups for the work of UNEP, providing them with scientific and substantive information and facilitating

the transmittal of their views and information to other substantive units within UNEP. The office maintains a network of media contacts within the region and at the United Nations in an effort to ensure that environmental issues and problems and the role of the United Nations in their solution are featured appropriately and targeted to the applicable audiences. The New York office also serves as the UNEP focal point with the Department of Public Information, works closely with the Office of the Spokesman for the Secretary-General and organizes environment-related special events and exhibits at United Nations Headquarters and in New York.

United Nations Human Settlements Programme

Posts: regular budget — 1 D-1, 1 P-4 and 2 GS

10. The main functions of the New York office of UN-HABITAT include coordination, harmonization and representation. The office represents UN-HABITAT in meetings of the General Assembly, the Economic and Social Council, relevant functional commissions, the Committee for Programme and Coordination, the Advisory Committee on Administrative and Budgetary Questions and other policy-making bodies. The office supports the substantive work of UN-HABITAT and contributes to the strengthening of cooperation and coordination with the United Nations Secretariat, funds and programmes, and other agencies of the common system. In this regard, the office ensures representation at inter-agency meetings and participates in the meetings of the United Nations Development Group, the Executive Committee on Economic and Social Affairs and their support groups. In addition, the office maintains relations with the UN-HABITAT partners in the North America region and carries out information activities at United Nations Headquarters and in the North America region.

United Nations Relief and Works Agency for Palestine Refugees in the Near East

Posts: regular budget — 1 P-5 and 2 GS

11. The New York liaison office of UNRWA is directly involved with the presentation of the Commissioner-General's annual report to the General Assembly, as well as other regular reports and biennial budget submissions. The Chief of the office represents the Agency, as required, in the deliberations of the Fifth Committee and in other intergovernmental forums, such as the Advisory Committee on Administrative and Budgetary Questions and the Committee for Programme and Coordination. The Chief also acts as the key motivator to the General Assembly's Working Group on the Financing of UNRWA.

12. The office represents the Commissioner-General in regular meetings of inter-agency bodies of which UNRWA is a member, including the Executive Committee for Humanitarian Affairs and various subcommittees of CEB, as well as various task forces and working groups. The office plays a major role in the formulation of input for the UNRWA section of the United Nations regular budget and is regularly engaged in follow-up with the United Nations Secretariat on budgetary matters. UNRWA contacts and substantive interaction through the liaison office in New York with the various departments and offices in the United Nations Secretariat are ongoing throughout the year.

13. In addition, the New York liaison office of UNRWA plays an important role in maintaining an extensive network of contacts with the permanent missions in New York, with other United Nations bodies whose head offices are away from Headquarters, with NGOs and with other elements of the civil society, serves as the UNRWA public information office in North America and is actively engaged in outreach and fund-raising activities in the United States and Canada. Such activities and contacts are crucial in maintaining positive visibility for a humanitarian programme which depends significantly on voluntary funding and international good will and support.

14. The office provides substantive input and advice to the UNRWA senior management on developments and issues of concern to the Agency, both at the United Nations, particularly in intergovernmental bodies and the Secretariat, and in the United States in general. The liaison office also provides back-up to the Office of the Commissioner-General in its contacts with the Government of Canada.

Office of the United Nations High Commissioner for Human Rights

Posts: regular budget — 1 D-2, 1 P-5, 2 P-4, 1 P-3 and 4 GS

15. The New York office of the United Nations High Commissioner for Human Rights is a substantive outpost of the Office of the United Nations High Commissioner, tasked with a range of substantive, policy and representational functions linked to New York and North America-based entities and processes and, more broadly, to the process of United Nations reform launched by the Secretary-General in 1997. The New York office works through United Nations Headquarters and United States-based mechanisms and processes to advance human rights issues and to emphasize the importance of human rights on the international and national agendas, to promote international cooperation for human rights, to stimulate and coordinate human rights action across the United Nations system, to ensure effective linkages between Geneva and field-based human rights entities and New York-based bodies and offices, to promote universal ratification and implementation of international treaties and to assist in discussions on the development of new norms, to support the work of human rights organs and treaty-monitoring bodies in New York, to contribute to anticipating serious violations and reacting to violations, to emphasize preventive human rights action and to promote cooperation in the establishment of national human rights infrastructures and to provide education, information and advice in the field of human rights.

16. In particular, the New York office:

(a) Represents the High Commissioner at United Nations Headquarters, at meetings of policy-making organs, with permanent missions of Member States, at executive committees and their subsidiary bodies, at interdepartmental and inter-agency meetings and at meetings with NGOs and the media;

(b) Provides policy advice and recommendations on substantive matters to the High Commissioner, to other officials and to special rapporteurs and representatives on mission in New York;

(c) Serves as a headquarters-based source of substantive expertise on the human rights aspects of development, humanitarian affairs, peace and security, and economic and social affairs;

(d) Works through United Nations reform mechanisms and interagency bodies towards the full integration of human rights in United Nations development, peace and security, humanitarian and economic and social activities and policies;

(e) Helps to ensure due attention to human rights concerns in the Organization's crisis response activities;

(f) Advises senior officials on the policies of the United Nations in the area of human rights and assists in coordinating human rights activities throughout the United Nations system;

(g) Consults with the pertinent United Nations funds and programmes on the strengthening of inter-agency coordination in respect of human rights;

(h) Supplies information, advice and substantive support on human rights issues to the General Assembly, the Security Council, the Economic and Social Council and other intergovernmental bodies;

(i) Provides human rights materials, information, briefings and training to permanent missions, United Nations departments and offices, agencies and programmes, NGOs, academic institutions, interns and the media;

(j) Provides support to special rapporteurs and representatives and to meetings of the human rights bodies and organs in New York;

(k) Maintains liaison with and provides information and advice on human rights to the Executive Office of the Secretary-General;

(l) Maintains liaison with the headquarters of key international institutions and major non-governmental human rights organizations in New York;

(m) Represents the High Commissioner before and engages on human rights issues with the United States-based international financial institutions, including the World Bank and the International Monetary Fund.

United Nations Office at Vienna and the United Nations Office on Drugs and Crime

Posts: regular budget — 1 P-5 and 1 GS

17. A common liaison office in New York is shared by the United Nations Office at Vienna and the United Nations Office on Drugs and Crime. The office interacts substantively with other United Nations partners at Headquarters, including the United Nations Development Group, the Executive Committee on Economic and Social Affairs, the United Nations Development Assistance Framework and intergovernmental bodies. It promotes the objectives of the Office on Drugs and Crime among delegations at Headquarters and maintains close liaison with the international financial institutions in Washington, D.C., to ensure their continuing support for anti-money-laundering activities and for business plans for international drug control. The office also interacts with non-United Nations entities in North America, including United States government departments, academic institutions, think tanks and other civil society organizations.

New York office of the regional commissions

Posts: regular budget — 1 D-1, 1 P-5, 1 P-4 and 3 GS

18. The office represents the five regional commissions at intergovernmental meetings held in New York, primarily of the General Assembly and the Economic and Social Council. It prepares the annual report of the Secretary-General on regional cooperation in the economic, social and related fields, which is submitted to the Council at its substantive session. In connection with intergovernmental support, the office provides formal and informal explanations to delegations on the work of the regional commissions as it relates to items under consideration. It provides the commissions with analysis and synthesis of developments during the course of the sessions of the Assembly and the Council as well as meetings of their subsidiary bodies.

19. The office participates on behalf of the regional commissions in the High-level Committee on Programmes, provides support to the participation of the current Coordinator of the regional commissions in CEB and reports on the outcome of both bodies to the commissions. It provides substantive support to the participation of the Executive Secretaries in the Executive Committee on Economic and Social Affairs. It also participates in other inter-agency meetings at the request of the commissions.

20. The office acts as the secretariat of the meetings of the Executive Secretaries and promotes and facilitates coordination and cooperation among the regional commissions in the planning and implementation of joint programmes and activities on issues of common concern in the substantive areas. The office follows up on matters relating to the regional commissions with the various Secretariat departments and offices at Headquarters. It also participates in the meetings of the Steering Committee on Reform and Management and coordinates the submissions of the regional commissions on related matters.

21. The office maintains contact on behalf of the Executive Secretaries and regional commissions with permanent missions and observers of the United Nations, relevant intergovernmental and non-governmental organizations and the public in New York. It issues a biannual newsletter on the views and activities of the regional commissions on major issues under consideration at the global level. It also provides information on request from the public, universities, media and research centres on normative and operational activities of the regional commissions.

III. Conclusion and recommendation

22. It is evident from the review that these representative offices in New York provide substantive contributions to the work programme of their parent offices, while maintaining a much smaller portion of traditional liaison functions. Activities focus on matters requiring representatives' participation in meetings both at the intergovernmental level and within the Secretariat. These offices are operating with the benefit of current technology and are striving to be as effective as possible within the limited budgetary resources available to them.

23. **The General Assembly may wish to take note of the present report.**

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Programme budget for the biennium 2004-2005

**Report of the Secretary-General on the activities
of the Office of Internal Oversight Services**

**Report of the Office of Internal Oversight Services on the
utilization and management of funds appropriated during
the 2002-2003 biennium for strengthening the security and
safety of United Nations premises**

Note by the Secretary-General*

1. Pursuant to General Assembly resolutions 48/218 B of 29 July 1994, 54/244 of 23 December 1999 and 58/295 of 18 June 2004, the Secretary-General has the honour to transmit, for the attention of the General Assembly, the attached report, conveyed to him by the Under-Secretary-General for Internal Oversight Services, on the utilization and management of funds appropriated during the 2002-2003 biennium for strengthening the security and safety of United Nations premises.
2. The Secretary-General takes note of the findings and concurs with the recommendations made in the present report, which will contribute to strengthening the security and safety of United Nations premises.

* Because of the relatively short time since the adoption by the General Assembly of its resolution 58/295, OIOS was only able to complete the review in August 2004. The report transmitted by the present note was delayed accordingly.



Report of the Office of Internal Oversight Services on the utilization and management of funds appropriated during the 2002-2003 biennium for strengthening the security and safety of United Nations premises

Summary

Pursuant to General Assembly resolution 58/295 of 18 June 2004, the Office of Internal Oversight Services (OIOS) conducted an audit of the utilization and management of funds appropriated during the 2002-2003 biennium for strengthening the security and safety of United Nations premises. The audit focused on the implementation of proposals presented in the report of the Secretary-General (A/56/848), which entailed estimated expenditures of \$57.7 million.

By December 2003, \$27.3 million of the \$57.7 million (or 47.3 per cent) had been spent and by 31 May 2004, the expenditure had risen to \$48.6 million. The initial low utilization of appropriations was due primarily to the time taken to finalize the main construction contract, which was not signed until 31 March 2004. However, there are indications that some projects at Headquarters may be delayed owing to unforeseen underground conditions at the site.

Security strengthening projects at United Nations Headquarters

Apart from the delays, there were three other issues that OIOS considered to be significant pertaining to projects at Headquarters. Firstly, with regard to cost estimates for security strengthening projects, OIOS found that projects which were approved by the General Assembly at an estimated cost of \$20.7 million are now expected to cost more than \$34.5 million with considerable reduction in scope. Further cost escalation would occur if the Office of Central Support Services proceeds with the proposed changes in specifications pertaining to the access control system. In the opinion of OIOS, the decision to modify the specifications for this project should be supported by a convincing cost benefit and risk analysis to justify the additional investment.

Secondly, an unspent balance of \$4.8 million pertaining to the allocation for projects which were deferred to the capital master plan was pooled in a construction-in-progress account. In the view of OIOS, either this balance should be surrendered in accordance with financial regulation 5.3, or the additional funds proposed to be requested in the current biennium should be reduced by this amount.

Lastly, with regard to the main construction contract, the guarantees provided by the contractor were significantly lower than the Organization's requirements and industry standards, thereby exposing the United Nations to the risk of poor performance and payment defaults by the contractor. OIOS makes a number of recommendations for protecting the interests of the Organization in future construction contracts more effectively.

Security strengthening projects at the United Nations Office at Geneva

At the United Nations Office at Geneva (UNOG), the underutilization of funds of about \$9.6 million (or 62 per cent of the revised appropriation) resulted from redesign of the projects owing to the increased level of threat to the United Nations from the incidents of 11 September 2001 and 19 August 2003. Moreover, the construction of the Chemin de fer entrance — a project that was a prerequisite for the commencement of other projects — was impeded by the delay in receiving the construction permit from the host country. The Chemin de fer entrance is now complete and UNOG expects that the majority of the other projects will be completed by December 2005.

As projects were modified and the scope of work increased, the cost estimates more than doubled. Moreover, the weakening of the United States dollar against the Swiss franc resulted in an estimated increase of about \$3.4 million. At the time of the audit, projects were still being modified on the basis of technical feasibility studies in the areas of bomb vulnerability and fire audit, which may lead to further adjustments. In the opinion of OIOS, once all the security requirements are finalized, an up-to-date security strategy, a final plan and costing should be developed for each project. Once completed, senior management should ensure that the plan is respected and project objectives are achieved within the costs and timelines established.

To improve the management of the security projects, the steering committee established to oversee them should be revitalized to ensure a coordinated management decision-making process and to provide direction and oversight. In addition, considering the size and complexity of the security projects, a dedicated project manager should be assigned to enhance UNOG project management capacity.

The value of the contract awarded to a consortium of firms, which was responsible for architectural/engineering work and overall supervision of the security projects, increased from \$670,000 to \$4 million owing to a significant change in the scope of the work as well as the number of tasks assigned to them. It is expected that the fees will rise to \$6.4 million because of a further increase in the scope of the construction work. In the opinion of OIOS, to ensure best value for money, as a minimum, a market survey should be conducted to make certain that the total fees payable are still competitive.

Contents

	<i>Paragraphs</i>	<i>Page</i>
I. Introduction	1-2	5
II. Expenditures on strengthening security and safety	3-13	5
A. Utilization of 2002-2003 appropriations	3	5
B. Expenditures on strengthening security at United Nations Headquarters	4-5	6
C. Expenditures on strengthening security at the United Nations Office at Geneva	6-12	7
D. Expenditures on strengthening security at other locations	13	9
III. Cost estimates for security strengthening projects	14-18	9
A. Projects at United Nations Headquarters	14-17	9
B. Projects at the United Nations Office at Geneva	18	11
IV. Management of security strengthening projects at United Nations Headquarters ..	19-31	11
A. Projects deferred to the capital master plan	20-21	11
B. Projects in progress	22-31	12
V. Management of security strengthening projects at the United Nations Office at Geneva	32-41	14
A. Project management and monitoring	32-34	14
B. Procurement and contract management	35-41	15
VI. Recommendations	42-61	17

I. Introduction

1. Pursuant to General Assembly resolution 58/295 of 18 June 2004, the Office of Internal Oversight Services (OIOS) conducted an audit of the utilization and management of funds appropriated during the 2002-2003 biennium for strengthening the security and safety of United Nations premises. The audit focused on the implementation of proposals presented in the report of the Secretary-General of 28 February 2002 (A/56/848), which entailed an estimated expenditure of \$57.7 million, including one-time requirements for upgrading the physical and security infrastructures, acquiring related equipment and other expenditures totalling \$44.8 million.

2. The main objective of the audit was to determine whether the resources provided for strengthening security and safety were utilized as intended and managed efficiently and effectively in compliance with established procedures. OIOS obtained updated expenditures as at 31 May 2004 and selectively reviewed major items, and ascertained the current status of security strengthening projects. In addition, major contracts relating to these projects were reviewed and the reasons for cost overruns and delays in implementation were analysed. The present report summarizes the OIOS findings based on the status of project activities as at 30 June 2004. A majority of these projects have only recently begun the construction phase. A draft of the present report was made available to the Department of Management and the United Nations Office at Geneva for review. Their comments are shown in italics.

II. Expenditures on strengthening security and safety

A. Utilization of 2002-2003 appropriations

3. Based on the aforementioned report of the Secretary-General, the General Assembly, in its resolution 56/286, authorized the appropriation of \$57.7 million for the 2002-2003 biennium to implement the proposals for strengthening security and safety at United Nations Headquarters and other locations. The second performance report on the programme budget for the biennium 2002-2003 (A/58/558/Add.1) indicated that projected expenditures at the end of the biennium were \$27.3 million (or 47.3 per cent of the appropriation). As at 31 May 2004, the expenditure against the appropriation of \$57.7 million (which was subsequently revised to \$58.9 million) totalled \$48.6 million, as summarized in table 1.

Table 1
2002-2003 appropriations and commitments for strengthening security and safety of
United Nations premises as at 31 May 2004

Budget section (2002-2003)	2002-2003	2002-2003	Projected	Actual expenditure	Uncommitted
	appropriation	revised appropriation	expenditure as at 31 December 2003	including commitments as at 31 May 2004	balance as at 31 May 2004
(United States dollars)					
16. Economic and Social Development in Africa	85 600	86 300	54 700	103 100	(16 800)
17. Economic and Social Development in Asia and the Pacific	591 700	715 500	657 800	497 900	217 600
19. Economic and Social Development in Latin America and the Caribbean	232 000	219 100	161 000	232 000	(12 600)
20. Economic and Social Development in Western Asia	1 045 000	1 035 400	950 800	1 019 000	16 400
27C. Office of Human Resources Management	458 600	458 300	518 500	495 000	(36 700)
27D. Office of Central Support Services	9 144 200	9 178 400	7 342 100	7 403 700	1 774 700
27E. Administration, Geneva	2 052 500	2 315 500	1 252 900	1 904 500	411 000
27F. Administration, Vienna	370 600	392 700	392 700	392 700	-
27G. Administration, Nairobi	327 200	319 900	320 700	321 500	(1 600)
30. Special expenses	1 647 000	1 647 000	1 647 000	1 647 000	-
31. Construction, alteration, improvement and major maintenance, including:	41 830 900	42 578 200	14 073 000	34 676 000	7 902 200
Headquarters	26 128 000	26 000 600	7 740 800	27 527 200	(1 526 600)
Geneva*	14 595 200	15 475 400	5 503 200	5 908 200	9 567 200
Nairobi	535 000	521 000	520 900	726 700	(205 700)
Addis Ababa	325 000	333 500	119 400	325 000	8 500
Santiago	148 000	146 100	88 300	88 300	57 800
Bangkok	99 700	101 600	100 400	100 600	1 000
Grand total	57 785 300	58 946 600	27 371 200	48 692 400	10 254 200

* The revised appropriation of \$15,475,400 was incorrectly recorded as \$15,490,000 in the report of the Secretary-General (A/58/558/Add.1).

B. Expenditures on strengthening security at United Nations Headquarters

4. OIOS reviewed the expenditures under budget sections 27C (Office of Human Resources Management), 27D (Office of Central Support Services) and 31 (Construction, alteration, improvement and major maintenance at Headquarters) to identify underlying reasons for significant variances between appropriations and commitments as at 31 May 2004. The uncommitted balance of \$1.7 million under section 27D was due primarily to: (i) deferral to the capital master plan of the rental of additional office space for a back-up remote Security Control Centre and for the relocation of non-priority occupants at Headquarters to an offsite location; and (ii) underutilization of the budget provision for furniture and equipment. The uncommitted balance of \$1.7 million from this appropriation was, however, pooled

with the regular budget allocations under section 27D for the 2002-2003 biennium and utilized to meet expenditures on several non-funded security-related projects.

5. Under section 31, there were excess expenditures of \$1.5 million compared to the revised appropriation of \$26 million. The Department of Management informed OIOS that this excess was provisionally funded out of the resources provided for in the 2004-2005 biennium under section 33 (Construction, alteration, improvement and major maintenance). Disbursements as at 31 May 2004 were only \$2.5 million and obligations amounting to \$25 million related mainly to the construction contract for \$21.6 million, which was concluded on 31 March 2004 (see paras. 26-29 below).

C. Expenditures on strengthening security at the United Nations Office at Geneva

6. As early as 1999, the United Nations Office at Geneva (UNOG) undertook a review of its security arrangements and developed a security concept. As indicated in the report of the Secretary-General (A/55/511), the Organization's share of security costs could approximate \$2.7 million. An amount of \$2.44 million was appropriated in the programme budget for the biennium 2002-2003. The security concept was overtaken by the events of 11 September 2001 and was modified, with emphasis on accelerated implementation and enhanced design. Taking into account the amounts previously requested in the aforementioned report of the Secretary-General, a budget proposal of \$14.6 million was made (see A/56/848) and the amount was appropriated under budget section 31 (see table 1). Owing to the weakening of the United States dollar, the initial appropriation was subsequently revised to \$15.5 million. Table 2 shows the total amounts appropriated for the biennium 2002-2003 and utilized as at 31 May 2004 for the security projects.

Table 2
Appropriations, disbursements and commitments for UNOG security projects as at 31 May 2004

Account	Appropriated	Disbursements	Obligations	Pre-encumbrances	Total commitments
	(United States dollars)				
UNA-1826-6730	2 439 100	2 221 400	138 400	-	2 359 800
CFS-1394-6730	15 475 400	967 400	4 940 800	-	5 908 200
Total	17 914 500	3 188 800	5 079 200	-	8 268 000

7. The funds spent so far were utilized mainly on fees for design, planning and supervision of work (\$4.3 million), for the construction of the access road and other work at the Chemin de fer entrance (\$2.4 million) and for the purchase of access gates for the Chemin de fer entrance and other entrances (\$1.4 million).

8. According to the initial plan, most of the security projects were projected to start during the first half of 2003 and be completed in 2004. However, implementation of this plan was seriously affected by the frequently changing and increasing security requirements, as well as the late receipt of the construction permit for the Chemin de fer entrance. UNOG stated that these were the main

reasons for underutilization of funds of about \$9.6 million (or 62 per cent of the revised appropriation of \$15.5 million). The additional appropriation of \$2.4 million indicated in table 2 was fully utilized.

9. OIOS noted that significant modifications and changes in project scope were necessitated by the incidents of 11 September 2001 in New York and 19 August 2003 in Baghdad. This resulted in cost increases in project design and construction work, as well as the extended duration of the project.

10. At the time of the OIOS audit in July 2004, the scope of the required enhancements was still growing, with additional measures being added. The technical feasibility studies on the areas of bomb vulnerability and fire audit were concluded in mid-July 2004. According to UNOG, the preliminary report has been delivered and was used as a basis for some projects proposed by UNOG in the Headquarters minimum operating security standards (phase II, second tranche). A final report will be delivered in September 2004, which may lead to the need for further adjustments to some projects. OIOS appreciates that some of the decisions are beyond the control of UNOG, such as the implementation of a global identification system. However, in the opinion of OIOS, once all the studies have been completed and reports delivered, and based on the UNOG objective of becoming compliant with the Headquarters minimum operating security standards, an up-to-date security strategy and final plan for each project needs to be formalized (Recommendation 1). OIOS accepts that the strategy may need some built-in flexibility to accommodate further changes in the security environment. Nonetheless, it is imperative that those involved agree on the scope of the work to be performed and reach an agreement on the estimated costs and construction timelines. Once this is done, senior management should ensure that it is respected. *UNOG indicated that that was a challenging task considering the changing and unpredictable security environment.*

11. The construction of the new Chemin de fer entrance was impeded by the delay in the receipt of the construction permit from the host country. The permit was only received in June 2003, some nine months after it was requested. This concern was reported in the report of the Secretary-General (see A/58/558/Add.1) and at the same time it was implied that other construction projects were delayed owing to non-receipt of permits. OIOS appreciates that to ensure the smooth flow of traffic in and out of UNOG, it was not practical to commence work at both the Pregny and the Chemin de fer entrances. Nonetheless, OIOS questioned why other construction projects (such as the enhancement of the perimeter fencing) could not commence in order to accelerate implementation. *UNOG indicated that owing to a shift in priorities, the completion of the Chemin de fer entrance was a prerequisite for other construction projects and with the recent incidents, a large vehicle bomb attack had become one of the largest threats. That had necessitated the redesign of the Chemin de fer entrance to be able to make a complete verification of large vehicles, which had become one of the highest priorities. For practical reasons, the two entrances could not be closed at the same time. Furthermore, owing to changing priorities and heightening security requirements, it would not have been logical or cost-effective to begin other projects, which ultimately would have to be enhanced or, in the worst scenario, redesigned. Moreover, although initially thought possible, UNOG did not have the staff resources or the management capacity to manage concurrent projects.*

12. Further delays occurred owing to changes in urban planning by the city authorities, which impacted the design of one of the entrance/exit gates. Moreover, one of the obstacles to starting the construction projects resulted from an assumption that the host country would contribute to the cost of the perimeter fence. This was noted in the report of the Secretary-General (A/58/758), in which it was stated that the cost of strengthening the perimeter was expected to be met by the Government of Switzerland. *UNOG informed OIOS that that had not been a major delaying factor. UNOG also confirmed that, at that time, it had become clear that funds would not be forthcoming from the host country to assist in the enhancement of the security of the Palais des Nations and therefore that the projects had had to be re-prioritized.*

D. Expenditures on strengthening security at other locations

13. OIOS reviewed the expenditures pertaining to security strengthening projects at other locations, i.e. the regional commissions and the United Nations Office at Nairobi. There were instances of underutilization and overutilization of the 2002-2003 appropriations, as well as some delays and weaknesses in project implementation and management. However, these were minor (in terms of expenditures and project magnitude) compared to the security strengthening activities undertaken at Headquarters and at Geneva.

III. Cost estimates for security strengthening projects

A. Projects at United Nations Headquarters

14. Seven security-related projects, as listed in annex 2 to the report of the Secretary-General (A/56/848), were originally included in the capital master plan (A/55/117 and Add.1). Following the events of 11 September 2001, these projects were brought forward for immediate implementation. In addition to these, there were nine other projects (referred to in paras. 40 (a) (i)-(vi) and 40 (b) (iv), (ix) and (x) of annex 1 to the Secretary-General's report (A/56/848)) which were included in the overall appropriation of \$26.1 million under section 31 for the biennium 2002-2003 (see table 1). OIOS found that the initial cost estimates for these projects were not supported by an assessment of the full scope of work. Based on an urgent request by the Office of Central Support Services in November 2001, a security consulting firm provided what it called a "budgetary magnitude of probable costs" totalling \$17 million for the seven projects that were originally in the capital master plan. The OIOS review of these estimates showed that the security consulting firm was unaware of the prevailing site conditions. Upon inquiry, OIOS was informed that no site visits had been conducted before submission of the "budgetary magnitude of probable costs". Consequently, scope definition for these projects was unclear. For example, even an approximation of the number of locations at which video surveillance cameras would need to be installed was not indicated. Moreover, the estimate for the perimeter lighting system appeared to have missed the fact that no electrical outlets were available at most locations along the perimeter of the complex. These deficiencies in scope assessment and cost estimation may be partly attributable to the security consulting firm's lack of expertise in the sphere of construction.

15. After funding for these projects was approved by the General Assembly in its resolution 56/286, the design development work was entrusted to the existing contractor who was providing design services for the capital master plan (see para. 25 below). The schematic estimates prepared by the design contractor in November 2002 showed the total estimated cost as \$33.9 million (excluding design fees and fees for construction administration and management, which added up to \$4.3 million), compared to the appropriation of \$26.1 million.

16. The estimated costs of \$33.9 million for 16 separate projects therefore exceeded the appropriation of \$26.1 million by \$7.8 million. The solution to this problem, which was identified by the design contractor and the Office of the Capital Master Plan, in consultation with the Security and Safety Service, was to develop a prioritized scope of work to implement those projects that would not be rendered redundant by subsequent work carried out under the capital master plan and which could be implemented immediately with available funds. At the same time, projects for which funds amounting to \$5.4 million had been provided (see paras. 20 and 21 below) were deferred to the capital master plan, thereby reducing the number of active projects from 16 to 13. The design contractor's estimates (January 2003) for the reduced scope of work on the 13 active projects added up to \$17 million. The constructability estimates subsequently prepared (August 2003) by the contractor for construction management services indicated the estimated cost of these 13 projects as \$31.4 million, which was still much higher than the available funds of \$20.7 million (i.e. \$26.1 million less \$5.4 million). After including the fees for design services (see para. 25 below) and construction management (see paras. 30 and 31 below) and a contingency provision of 18 per cent, the total cost of these 13 projects would be approximately \$34.5 million, assuming that there would be no further cost escalations. Funding for the increase in project costs was requested under budget section 33 in the report of the Secretary-General of 5 April 2004 (A/58/756), which was approved by the General Assembly in its resolution 58/295.

17. Thus, projects approved by the General Assembly based on the projection that they would be completed at a cost of \$20.7 million are now estimated to exceed \$34.5 million, with considerable reduction in scope. There would be further cost escalation if the Office of Central Support Services proceeds with the proposed changes in specifications pertaining to the access control system (see para. 24 below). OIOS acknowledges that the projects' cost estimates were requested by the Office of Central Support Services on an emergency basis following the events of 11 September 2001, but is concerned that the submission of unreliable cost estimates to the Assembly does not constitute good management practice. *The Office of Central Support Services stated that realistic estimates could only be prepared after an in-depth study and assessment of different options and, in that instance, there was insufficient time and lack of funding for in-depth assessment. In the circumstances, the best available estimates at the time had been provided. Furthermore, the security industry had made rapid changes in technology within a short time owing to the events of 11 September 2001 and the blackout in New York City and that was a significant factor in cost increases.* In the opinion of OIOS, lessons should be learned from the fact that implementation of major projects only started in 2004, mainly because project scope had to be further assessed and substantial additional funding had to be requested subsequently. Especially with regard to security, the Secretariat needs to be able to afford itself the necessary time for due process when requesting funding for new projects, including the anticipation

of emerging needs reasonably in advance. The Office of Central Support Services needs to take stock of practices within the United Nations system for dealing with emergency security situations and devise a strategy for anticipating security needs and addressing them in a timely manner (Recommendation 2).

B. Projects at the United Nations Office at Geneva

18. While it is difficult to compare like with like because of the changes in the scope of the security projects, the costs relating to UNOG, which were budgeted at \$15.5 million, are now expected to reach nearly \$31 million in respect of construction, alteration, improvement and major maintenance. Moreover, OIOS noted that the consortium entrusted with the planning and implementation of UNOG security measures projected a total cost as high as \$42 million for the required security upgrades. The cost increase for security projects relating to UNOG was made up of two main elements, i.e. the increase in the scope of work and the weakening of the United States dollar against the Swiss franc. Numerous changes to the design and scope of the projects, owing to changes in the threat scenario, inevitably affected the total cost. In some cases, estimated project costs have increased substantially — the Chemin de fer entrance by about 100 per cent from SwF 2.4 million (\$1.5 million) to SwF 4.9 million (\$3.9 million) and the Pregny entrance by about 60 per cent from SwF 6.3 million (\$4 million) to SwF 10.3 million (\$8.2 million). However, since the project scope and design changed so significantly, it is practically impossible to estimate the cost implications associated with the slow utilization of funds. For example, after the incidents of 11 September 2001, the Chemin de fer and Pregny entrances were redesigned to include traffic barriers, but after 19 August 2003, they again had to be redesigned. As the elements of individual projects were modified to address new threats to the United Nations, the implementation rate and cost of the projects were significantly affected. From June 2002 to May 2004, the United States dollar weakened against the Swiss franc by about 16 per cent, resulting in an estimated increase of some \$3.4 million in project cost.

IV. Management of security strengthening projects at United Nations Headquarters

19. Of the 16 Headquarters projects included in the appropriation approved by the General Assembly in its resolution 56/286, four were completed within their combined allocation of \$0.5 million.¹ These projects were implemented as planned, except that temporary tents were installed at the delegates' and visitors' entrance instead of prefabricated buildings, which would have to be removed during implementation of the capital master plan. Other projects were deferred to the capital master plan and the remaining projects were in various stages of execution.

A. Projects deferred to the capital master plan

20. The actual expenditure was \$549,000 against the \$5.3 million originally allocated for the projects deferred to the capital master plan.

21. The unspent balance of \$4.8 million pertaining to these projects was pooled in a construction-in-progress account and reserved for future use. In the opinion of OIOS, since the implementation of these projects is contingent upon the future of the capital master plan, the pooling of these funds in a construction-in-progress account is inappropriate, because no construction is in progress under these projects and these funds might be used to absorb cost escalations on other projects. In the interest of financial prudence, these funds should be surrendered in accordance with financial regulation 5.3 (Recommendation 3). It is relevant to note that the Advisory Committee on Administrative and Budgetary Questions has cautioned that resources should be used strictly for the projects for which they were authorized (A/56/7/Add.9, para. 18).

B. Projects in progress

22. A number of projects were in progress at the time of the OIOS audit. Six of these were combined in one solicitation, which led to the issuance of a request for proposals in June 2003. It had taken about six months for revision of the scope of work, cost estimation, constructability review and finalization of specifications. The construction and installation contract for implementing these six projects was signed only on 31 March 2004, which was some 20 months after the adoption of resolution 56/286.

23. There is also a risk that the existence of underground utilities, including high pressure gas lines, high voltage electric feeders and steam service below the construction area, conditions which were not previously assessed, could result in further cost escalation. OIOS will continue to monitor these projects as part of its ongoing audit coverage of the capital master plan.

24. OIOS also learned that the Office of Central Support Services was contemplating changes in specifications pertaining to the access control system, whereby a digital video network would replace the analog video network currently envisaged in the construction contract. Although the financial implications of this change were not immediately clear at the time of the audit, it is likely that the increase in project costs would be significant. OIOS therefore is of the opinion that any decision to switch from analog to digital video network technology at this time should be supported by a convincing cost benefit and risk analysis to justify the additional investment (Recommendation 4).

1. Contract for design development

25. The contract for developing schematic cost estimates, design drawings and construction documents for security strengthening projects in the report of the Secretary-General (A/56/848) was awarded at a cost of \$2.2 million to the existing design contractor for the capital master plan without competitive bidding, which is allowed under financial rule 110.19 only on an exceptional basis. The Office of Central Support Services justified the exception mainly on the grounds that the design for these projects needed to be integrated into the capital master plan and the design contractor for the capital master plan was in the best position to do so. In the opinion of OIOS, this justification was reasonable under the circumstances.

2. Contract for construction and installation

26. In June 2003, the Procurement Division issued a request for proposals to 27 companies for construction and installation work relating to the projects referred to in paragraphs 40 (b) (i), (ii), (iii), (vi), (vii) and (ix) of annex 1 to the report of the Secretary-General (A/56/848). Only three proposals were received by the closing date. Two proposals in the amounts of \$33.7 million and \$21.6 million were found to be technically qualified and the Procurement Division recommended that the contract be awarded to the lowest proposer for \$21.6 million. In December 2003, the Headquarters Committee on Contracts endorsed the Procurement Division's recommendation and the contract was signed on 31 March 2004.

27. OIOS reviewed this contract to determine whether the Organization's interests were adequately safeguarded. The OIOS comparison of United Nations practices with those of the United States Government and the local construction industry showed that the guarantee provided by the contractor in the form of performance and payment bonds represented only 17.5 per cent (or \$3.8 million) protection coverage for the \$21.6 million contract, which was significantly lower than the United Nations requirement of 27.5 per cent (or \$5.9 million) and the industry standard of 210 per cent (or \$45.4 million).

28. The Office of the Capital Master Plan and the Procurement Division explained to OIOS that this contractor had been associated with the Organization for a long time and had been satisfactorily performing two other contracts (including the \$88 million contract for broadcast services). In their view, the risk of entering into this arrangement was somewhat mitigated. The Procurement Division also clarified that the Dun and Bradstreet report indicated that the contractor was a low risk for experiencing any financial difficulty. However, OIOS believes that adequate guarantees should be obtained to ensure that quality and timeliness requirements are met and cost overruns minimized (Recommendation 5). A contractor's past satisfactory performance should not justify reducing bond requirements below acceptable levels. *The Procurement Division agreed with the OIOS views, but pointed out that in order to move that important contract forward, it had had to come up with an alternative form of guarantee based on its professional judgement.*

29. OIOS also noted that the United Nations does not require a bid performance bond from potential bidders. The general practice in the host country construction industry and in government contracts is for potential bidders to post a sum equal to 5 per cent of the bid amount. The successful bidder, upon failure or refusal to execute and deliver the required bonds within 8 to 10 days after receipt of notice of intent to award, will forfeit the bid bond. In the case of this contract, the existence of such a procedure would have put the Organization in a better position to enforce bid requirements as set forth in the request for proposals (Recommendation 6).

3. Contract for construction management

30. The Office of Central Support Services engaged a construction management firm to manage the construction and installation contract of \$21.6 million (referred to in paras. 26-29 above). According to the Office of the Capital Master Plan, this contract was necessary in view of the complex nature of the construction and installation contract and the lack of adequate resources in-house. Instead of using competitive bidding, the Office of the Capital Master Plan and the Procurement Division, on grounds of exigency, recommended the award of a construction

management contract, at a cost of \$1.2 million, to a consulting firm which had already been providing security integration services at a cost of \$150,000. The Headquarters Committee on Contracts endorsed the contract award, noting that the large increase in the contract amount was due to the increased number of contractor staff, while the hourly fee remained more or less the same.

31. OIOS found that at the time of awarding the initial contract for \$150,000 in June 2003, this contractor was not fully registered with the Procurement Division and that the provisional registration made in January 2003 had expired. According to the United Nations Procurement Manual, no contractual award shall be made prior to formal registration of a vendor and since full registration had not been completed within 90 days after provisional registration, he should have been removed from the vendor roster. On the contrary, this contractor was awarded the initial contract for \$150,000 and also recommended for the additional award of the \$1.2 million construction management contract, which was endorsed by the Headquarters Committee on Contracts in August 2003. *The Procurement Division clarified that the outputs of that contract were necessary for the other works relating to security projects to move forward and there was no alternative qualified supplier available to perform the works in question.* On 7 January 2004, the contractor formally applied for registration. During the registration process, the contractor was unable to satisfy the minimum criteria owing to its current poor financial standing. However, on 14 January 2004, the supplier review committee within the Procurement Division recommended the contractor's formal registration subject to the condition that the contractor's parent company formally agree to act as a guarantor for the performance of the \$1.2 million contract. An amendment to this contract was eventually signed on 27 January 2004 (i.e. five months after the date of the award by the Headquarters Contracts Committee). *The Procurement Division commented that it was reliant on the vendor to complete the requirements for registration and was thus not in control of the timeline. The Division also commented that the additional award was a significantly higher value contract (\$1.2 million), with more risk to the Organization, and therefore required a higher degree of due diligence.* The Procurement Division needs to ensure that effective control mechanisms are in place to avoid repetition of similar occurrences in future (Recommendation 7).

V. Management of security strengthening projects at the United Nations Office at Geneva

A. Project management and monitoring

32. A steering committee was established in June 2002 to oversee UNOG security projects. It had responsibilities, among others, to provide strategic direction, review work progress and expenditure patterns and ensure transparency and accountability during the planning and decision-making process. The frequency of meetings has been considerably reduced. The last steering committee meeting was held in February 2004; prior to that, a meeting was held in September 2003. In the opinion of OIOS, the steering committee should continue, but needs to meet more regularly to be an effective management tool ensuring a coordinated management decision-making process and providing direction and oversight (Recommendation 8).

33. The responsibility for the security-related construction projects has been assigned to the Chief of the UNOG Buildings and Engineering Section. However, the section is already fully occupied with the regular work relating to the renovation and maintenance of UNOG premises. Therefore, considering the size and complexity of the security projects, a dedicated project manager should have been assigned the responsibilities to manage the day-to-day operations, supervise the consortium's work and coordinate activities with the various parties involved. Since the project is still in its initial stages, OIOS would advocate the creation of a temporary post for a project manager to enhance UNOG project management capacity (Recommendation 9). This would be a good alternative to the present situation, where there appears to be heavy reliance on a consortium to manage the project. The funding of an additional post could alleviate part of the work of the Chief of the Buildings and Engineering Section, which possibly could be compensated by the reduced involvement of the consortium and cost efficiencies from closer project management and monitoring. Based on discussions with UNOG management, OIOS understood that additional staff resources would be requested.

34. At the project level, it was difficult to obtain complete and accurate data on the utilization of funds. In the opinion of OIOS, part of the problem is that the Integrated Management Information System (IMIS) is not conducive to managing multi-year construction projects. For example, the full cost of the Chemin de fer entrance was not clear, as expenditures/commitments were charged against various accounts (e.g. consultancy fees, procurement of construction work and procurement of electronic gates). This does not facilitate the control and monitoring of costs against a project budget. At the project level, ad-hoc systems had been developed, which were cumbersome and not adequate for managing, monitoring and reporting on project expenditures. OIOS is pleased to note that UNOG has already acted positively and found a solution within IMIS. This should facilitate the management of sub-project budgets and costs.

B. Procurement and contract management

35. UNOG selected a consortium to be responsible for three parts of the architectural and engineering services of security projects: (i) preliminary study; (ii) preparation of the terms of reference for a general contractor; and (iii) general supervision of the construction works. As at 31 May 2004, some \$4.3 million was expended or committed to the consortium and total fees are currently projected at \$6.4 million. *UNOG explained that the \$6.4 million included some projects which had not been finalized and might not be implemented as designed.*

36. In December 2000, an invitation to bid was issued for the three parts of the required services. Two companies were selected to conduct a preliminary study. Based on the results of the two studies, which were vastly different in terms of security concept and projected construction costs, the present consortium was awarded the contract for all three parts. In the opinion of OIOS, after the preliminary study was completed and once the design concept, specifications and parameters were clearly defined, it would have been better to conduct a new bidding exercise for the subsequent parts.

37. The initial contract awarded to the consortium to implement construction projects, estimated at SwF 13.7 million (\$8 million), was SwF 1.12 million

(\$670,000). In August 2002, the value of the construction work was significantly increased to an estimated SwF 42.5 million (\$28.7 million). The scope of planned construction work had drastically changed and at the initiative of the consortium, there was an increase in the number of tasks for which they would be responsible. For example, as an additional task the consortium had to prepare specifications for individual contractors instead of preparing the specifications for a general contractor. *UNOG explained that that approach had been taken, as at that time only some parts of the projects had been agreed upon and UNOG had not had the funds for the entire project.* As a result of these changes, the consortium fees were revised upwards to SwF 5.9 million (\$4 million), an increase of more than 500 per cent. As of July 2004, it is expected that the total value of works will increase to over SwF 53 million (\$42 million) including the consortium's fees of SwF 8 million (\$6.4 million).

38. Considering the vast increase in the scope of the project (from SwF 13.7 million to SwF 42.5 million), the change in the nature of work required by the consortium and the drastic increase in the total fees, OIOS is of the opinion that a market survey should have been conducted to ensure that the fees payable were still competitive. Moreover, OIOS used industry standards as a benchmark to assess the reasonableness of the total costs charged and found that they appeared to be high. *UNOG was of the opinion that a renewed bidding exercise had not been necessary, as the terms of reference had basically remained the same and only the scope of work had increased. UNOG further stated, inter alia, that a new bidding exercise would have delayed the project by several months and that the current consortium had already acquired an in-depth knowledge of the project. UNOG also highlighted that there had been no change in the hourly rates payable.* OIOS would emphasize that once the estimated hours for completion of the work were applied to the hourly rates agreed competitively, a "total service cost" contract was established. The "total service cost" was then payable (on satisfactory completion of the various stages of the sub-project), regardless of the actual hours worked. OIOS also noted that when the volume of the work increased, the number of hours to complete the revised scope was recalculated and a new "total service cost" was agreed upon. In the opinion of OIOS, this may not have been the most appropriate remuneration method considering the constantly changing scope of the security projects. *UNOG commented that the estimated hours proposed for each sub-project had been determined to be reasonable and in accordance with industry standards.* OIOS maintains that the competitiveness of the current arrangement needs to be reconfirmed (Recommendation 10).

39. The UNOG Committee on Contracts, while endorsing the revised contract, advised that the fees for each of the sub-projects be limited by a ceiling. Accordingly, the contract requires an amendment whenever the total fees per sub-project exceed the maximum amount provided in the contract. OIOS noted that the fees for the Chemin de fer entrance had almost doubled without any amendment to the contract. *UNOG explained that the increase had been agreed between the project manager and the consortium and that a formal amendment was being prepared.* OIOS maintains that the requisitioner cannot agree to contract amendments, which need to be processed by the UNOG Purchase and Transportation Section.

40. For other major procurements reviewed, OIOS assessed that UNOG had complied with United Nations procurement procedures. However, most of the

companies that expressed an interest and were awarded contracts were Swiss-based. While appreciating the efforts of UNOG to broaden the vendor base, OIOS would encourage that Office to make further attempts to reach a wider European market. *UNOG confirmed that the supplier database was being reviewed.*

41. The security projects have significantly increased the workload of the UNOG Purchase and Transportation Section. It is estimated that the volume of work has increased by approximately one third. Furthermore, from a review of the procurement activities and discussions, it is clear that UNOG does not have the necessary number of experienced procurement staff effectively to manage the procurement process relating to large and complex construction projects. Considering this, it may be appropriate to augment temporarily the Professional staffing levels for the term of the security projects.

VI. Recommendations

Recommendation 1

42. The UNOG Division of Administration, once the feasibility studies have been finalized and the requirements for becoming compliant with the Headquarters minimum operating security standards are known, should develop an up-to-date security strategy and final plan per individual project. Once this is completed, senior management should ensure that it is respected and project objectives are achieved within the costs and timelines established (AE2004/311/01/01).*

43. *The UNOG Division of Administration accepted that recommendation, but indicated that it was a challenging task, considering the changing and unpredictable security environment.*

Recommendation 2

44. The Office of Central Support Services should study the practices within the United Nations system for dealing with emergency security situations and devise a strategy for anticipating security needs and addressing them in a timely manner (AH2004/510/01/1).

45. *The Office of Central Support Services accepted that recommendation.*

Recommendation 3

46. The Office of Central Support Services, in accordance with financial regulation 5.3, should surrender unspent 2002-2003 appropriations amounting to \$4.8 million, relating to projects deferred to the capital master plan. Alternatively, the Secretariat should proportionately reduce the additional funds for security proposed to be sought for the current biennium during the fifty-ninth session (AH2004/510/01/2).

47. *The Office of Central Support Services accepted that recommendation.*

* The symbols in parentheses in this section refer to an internal code used by OIOS for recording recommendations.

Recommendation 4

48. The Office of Central Support Services should ensure that any decision to switch from analog to digital video network technology for the access control project at this time is supported by a convincing cost benefit and risk analysis to justify the additional investment (AH2004/510/01/3).

49. *The Office of Central Support Services accepted that recommendation.*

Recommendation 5

50. The Office of Central Support Services should ensure in future that bond requirements for construction projects are applied uniformly at a level consistent with industry standards (AH2004/513/08/2).

51. *The Office of Central Support Services accepted that recommendation.*

Recommendation 6

52. The Office of Central Support Services and the Office of Legal Affairs should ensure that requests for proposals for future construction contracts include a clause requiring bidders to provide a bid bond equivalent to a determined percentage of the bid amount (AH2004/513/08/4).

53. *The Office of Central Support Services accepted that recommendation and stated that it would seriously consider the requirement of bid bonds in future requests for proposals. The Office of Legal Affairs indicated that it was prepared to assist the Procurement Division in drafting the appropriate provisions to ensure that such bonds protected the Organization's interests.*

Recommendation 7

54. The Procurement Division should ensure that effective controls are in place to prevent the award of contracts to vendors who are not fully registered on the Organization's vendor roster (AH2004/510/01/4).

55. *The Procurement Division accepted that recommendation and stated that it currently had a system in place to block more effectively vendors who had not completed their registration. Such vendors could only be unblocked after careful review and special approval by the Chief of the Division.*

Recommendation 8

56. The UNOG Division of Administration should revitalize the steering committee to oversee the implementation of the security projects and to be a more effective management tool for coordinating the decision-making process and providing direction and oversight (AE2004/311/01/02).

57. *The UNOG Division of Administration accepted that recommendation.*

Recommendation 9

58. The UNOG Division of Administration, to enhance UNOG project management capacity, should create a temporary post for a project manager with responsibilities to manage day-to-day operations, supervise the consortium's work and coordinate activities with the various parties involved. Moreover, to ensure the

necessary number of experienced procurement staff to manage the procurement process relating to large and complex construction projects effectively, UNOG should temporarily augment the Professional procurement staffing levels for the duration of the security projects (AE2004/311/01/03).

59. *The UNOG Division of Administration accepted that recommendation.*

Recommendation 10

60. The UNOG Division of Administration should, by conducting a market survey, assess the competitiveness of the current arrangements with the consortium considering the vast increase in the scope of the security project and the change in the nature of work required by the consortium (AE2004/311/01/04).

61. *The UNOG Division of Administration did not agree with that recommendation as it was of the opinion that it was not necessary because the terms of reference had basically remained the same and only the scope of work had increased. UNOG stated that the unit prices had remained unchanged as per the contract signed in 2001 and were significantly lower than the Swiss Standards average fees. The total fees paid to the consortium were based on the unit price and the architectural/engineering work involved. In line with the general spirit of the recommendation, however, the Division of Administration would periodically verify the market unit prices comparatively with the contract unit prices in order to ensure that the latter remained competitive. OIOS maintains that, given the vast increase in scope, a comprehensive reassessment of the remuneration arrangements is warranted and that a simple comparison of unit prices for working hours would not be sufficient.*

(Signed) Dileep Nair
Under-Secretary-General for Internal Oversight Services

Notes

¹ Completed projects are those referred to in para. 40 (a) (iv) and (v), and 40 (b) (viii) and (x) of annex 1 to A/56/848.

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Agenda item 108

Programme budget for the biennium 2004-2005

**Review of the regular programme of technical cooperation
and the Development Account****Report of the Secretary-General****Summary*

The present report has been prepared pursuant to paragraphs 48 and 58 of General Assembly resolution 58/270 of 23 December 2003, by which the Secretary-General was requested to undertake a fundamental and comprehensive review of the regular programme of technical cooperation and to make appropriate proposals to the General Assembly at its fifty-ninth session; and to submit a comprehensive report to the Assembly at its fifty-ninth session addressing possible measures to improve the performance of the Development Account, including ways and means aimed at bringing a more focused approach to project formulation, complementarity, implementation and evaluation, as well as to make proposals on increasing its funding in accordance with General Assembly resolutions 52/12 B of 19 December 1997 and 54/15 of 29 October 1999.

The report covers the full range of operations of the regular programme of technical cooperation and the Development Account and also contains analyses of similarities and differences of the two programmes. Specific proposals are made with regard to the possible improvement of the two programmes under review.

* The fundamental and comprehensive review, requested by the General Assembly, necessitated extensive travel to all overseas locations, including regional commissions, for conducting studies, interviews and analysis, and contributed to the delay in submitting the present report for processing.



Contents

	<i>Paragraphs</i>	<i>Page</i>
I. Introduction	1-4	3
II. Legislative history of the regular programme of technical cooperation and the Development Account	5-11	4
III. Operating modalities of the regular programme of technical cooperation	12-58	5
IV. Operation modalities of the Development Account	59-70	15
V. Main issues	71-93	18
VI. Proposals for the regular programme of technical cooperation	94-105	24
VII. Proposals regarding the Development Account	106-109	28
VIII. Combining sections 23 and 35 into one budget section (with one or two parts) ...	110-112	29
IX. Conclusion	113	29
Annexes		
I. Criteria for the regular programme of technical cooperation		30
II. Regular programme of technical cooperation: expenditures for the biennium 2002-2003		31
III. Modalities in use for programming of regular programme of technical cooperation funds		35
IV. Main steps in programming the Development Account		37
V. Use of advisers		39
VI. Reporting options		43
VII. Sample biennium disbursements report for the regular programme of technical cooperation for implementing entity xxx		45

I. Introduction

1. The General Assembly in its resolution 58/270 of 23 December 2003, called for a fundamental and comprehensive review of the regular programme of technical cooperation¹ and requested a comprehensive report on the Development Account² addressing possible measures to improve its performance. The review was to: review current mandates and practices; analyse the methodologies and mechanisms currently used for programming and utilization of resources; review existing procedures for monitoring, evaluation, performance review and reporting and oversight; and to prepare proposals for:

(a) Updating the mandate of the regular programme of technical cooperation in the light of current technical cooperation practices and the development needs of Member States in line with the mandates of the implementing entities;

(b) Refining and delineating three to five standard criteria for the regular programme of technical cooperation interventions to be followed to ensure greater effectiveness and efficiency and more visible programme impact;

(c) Reporting arrangements to strengthen oversight and facilitate performance review.

2. For the Development Account, the request was to: review the compliance of the current operations with its intended mandate and guidelines contained in the related General Assembly resolutions; review the methodology and mechanisms currently used for programming and utilization of the resources under the Development Account; and to prepare proposals for:

(a) Enhancing the methodology and mechanisms currently used for programming and utilization of the resources under the Development Account in view of increasing efficiency and effectiveness;

(b) Developing a more focused approach to project formulation, complementarity, implementation and evaluation;

(c) Reviewing the initial arrangements and current situation with regard to financing of the Development Account and to make proposals on increasing its funding in accordance with General Assembly resolutions 52/12 B of 19 December 1997 and 54/15 of 29 October 1999, taking into account future savings and their potential use for development activities.

3. The two accounts share certain similarities, but have quite different histories, serve different purposes and are managed in substantively different ways. The Development Account is centrally managed while the regular programme of technical cooperation is delegated to the entities. The latter is intended to be responsive to government requests while the former is staff initiated. Development Account activities are approved in advance, while only allocations are approved for the regular programme of technical cooperation. The Development Account is concentrated in a limited number of projects while the regular programme of technical cooperation involves smaller initiatives formulated and implemented within the biennium period. The regular programme of technical cooperation is intended to provide a rapid response, while the Development Account accounts involve preparation and implementation over several bienniums. The Development Account is reported on to the General Assembly in a very detailed manner, while

very limited reporting is provided on the regular programme of technical cooperation.

4. Some specific proposals are made with regard to the possible improvement of the two programmes under review.

II. Legislative history of the regular programme of technical cooperation and the Development Account

Regular programme of technical cooperation

5. The first funding for the regular programme of technical cooperation was established by the General Assembly in 1946 for the provision of technical assistance to developing countries. The most extensive set of guidelines enunciated for the programme were prepared by the former Department of Technical Cooperation for Development of the Secretariat and were discussed and accepted by the Governing Council of the United Nations Development Programme (UNDP) in 1980, almost 25 years ago. These criteria, with three additional guidelines that evolved over the years, are contained in annex I.

6. In the proposed programme budget for the biennium 2004-2005 for the regular programme of technical cooperation (A/58/6 (Sect. 23)), the programme was clearly positioned within the criteria outlined above, with the added dimension of support to countries with economies in transition. However, it would appear timely to update and perhaps simplify the criteria. Two levels of criteria are applied to activities funded by the programme. The first set are those that govern the use of programme funds by all implementing entities (the overall criteria) and the second set are those that govern the priorities of each individual implementing entity (the entity criteria). The overall criteria should not be so specific that they preclude activities that legitimately fall within the approved strategic priorities of the implementing entities.

7. The statement of the programme objective of the regular programme of technical cooperation as outlined in the budget fascicle also requires review, as it is stated in such a general way that it fails to provide any real sense of the unique role that the programme is intended to fill:

"To contribute to the development of developing countries and countries with economies in transition and their pursuit of common challenges through the provision of technical cooperation support in the fields of international and regional cooperation for development, human rights and humanitarian affairs." (See A/58/6 (Sect. 23), table 23.1.)

Development Account

8. The Development Account was established by the General Assembly in its resolution 52/12 B, part H, paragraph 24, and by that decision was to be funded by savings from reductions in administration and other overhead costs, without effecting full implementation of mandated programmes and activities. The Development Account was originally funded at a biennial level of \$13,065,000. The General Assembly also established this as the base level of funding for future years, with future verifiable and sustainable savings to be added to the account. Since the

initial funding level was established, it has been adjusted for inflation, but no further savings have been identified.

9. The General Assembly has revisited the guidelines for the use of the Development Account on a number of occasions and provided guidance to the programme manager (the Under-Secretary-General for Economic and Social Affairs). The following criteria guided the formulation of the last tranche (the fourth tranche) of Development Account projects:

- (a) Help build national capacities;
- (b) Utilize the technical, human and other resources available in developing countries;
- (c) Promote regional and interregional economic and technical cooperation among developing countries;
- (d) Lead to some durable, self-sustained process and have synergies with other development interventions;
- (e) Be executed within two bienniums.

10. All indications are that, in the project review process carried out under the guidance of the programme manager of the Development Account the criteria is taken most seriously. Project submissions that do not meet the criteria are either rejected or rewritten. The programme manager is currently developing new criteria for the fifth tranche of Development Account funding. The criteria being considered at the time of the preparation of the present report had increased from the five listed above to ten. While most can be defensible, there is concern that too many criteria may prove distracting in understanding the unique objectives of the programme and may lessen the impact of the criteria overall by trying to "touch all the hot buttons".

11. The budget fascicle for section 35 for the biennium 2004-2005 did not contain a simple and precise statement of the programme's objective. Such a statement could be developed for the next budget, with the objective of situating the Development Account more precisely within the broader range of United Nations programmes.

III. Operating modalities of the regular programme of technical cooperation

12. Section 23, regular programme of technical cooperation of the programme budget requests approval of an overall amount for the regular programme of technical cooperation, which is subdivided into two basic components:

- (a) Sectoral advisory services, which covers the sectorally driven implementing entities the Department of Economic and Social Affairs, the United Nations Conference on Trade and Development, the United Nations Human Settlements Programme (UN-Habitat), the Centre for International Crime Prevention, the United Nations International Drug Control Programme, the Office of the United Nations High Commissioner for Human Rights and the Office for the Coordination of Humanitarian Affairs;

(b) Regional and subregional advisory services which cover the five regional commissions the Economic Commission for Africa, the Economic Commission for Europe, the Economic Commission for Latin America and the Caribbean, the Economic and Social Commission for Asia and the Pacific and the Economic and Social Commission for Western Asia.

13. Indicative figures are provided for each implementing entity on the allocation of its regular programme of technical cooperation funds by subprogramme. The sectoral advisory services touch upon 17 subprogrammes, while the regional and subregional advisory services touch upon 28 subprogrammes. The breakdown according to subprogramme shown in the budget is subject to change in response to requests received and is shown for indicative purposes only.³ The essence of the regular programme of technical cooperation programme is that it is intended to be quick in responding to developing country requests for advisory or training assistance in the substantive areas approved for each entity in the United Nations strategic plan. Each implementing agency approves regular programme of technical cooperation expenditures in its approved subprogrammes and has the ability to reallocate its regular programme of technical cooperation funds between subprogrammes.

14. In its Resolution 58/270, the General Assembly requested that the following areas of the operating modalities of the regular programme of technical cooperation be examined:

- Utilization
- Programming
- Monitoring
- Performance review
- Reporting and oversight.

Utilization

15. There are four aspects of utilization that need to be discussed: (a) allocating the regular programme of technical cooperation resources to the implementing entities; (b) the basic modalities used for the delivery of the technical cooperation; (c) the coherence of approved activities with the mandated subprogrammes as contained in the budget; and (d) adherence to the guiding criteria that have evolved through the decisions of the various governance bodies over the years.

16. Allocation of the regular programme of technical cooperation resources by implementing entity does not change substantially from biennium to biennium. Any new allocation of the regular programme of technical cooperation presents the fundamental problem of developing criteria to guide the allocation process. Most of the criteria used tend to be highly subjective. This difficulty is exacerbated by the lack of a single programme manager for the regular programme of technical cooperation who would be responsible to the General Assembly for defending the allocations and for proposing changes in the light of changing priorities for the system as a whole. In addition, Governments have not established clear priorities between the various programmes of the United Nations budget that could be applied to the regular programme of technical cooperation.

17. While recognizing that many highly subjective issues have to be taken into account in the regular programme of technical cooperation allocation process, an attempt was made to assess the reasonableness of the current allocations against certain proxy indicators that are quantifiable. While the merits of these proxy indicators could be extensively debated, the results overall would indicate that the current allocation of regular programme of technical cooperation funds is defensible.

18. With regard to modalities, the budget document outlines three basic types of intervention: short-term advisory services, field projects and training activities. The overall resources of the regular programme of technical cooperation are used mainly for the hiring of advisers who are specialists in both technical cooperation and in the substantive knowledge of the subprogramme. The advisers are not permanent United Nations staff members, but are hired under fixed-term contracts, generally of one year's duration, that can be renewed as required. Policies on the number of renewals that can be authorized for an individual adviser vary between the implementing entities. The adviser is hired because permanent staff may not be mandated to engage in technical cooperation activities or, if mandated, are fully occupied with their regular normative and analytical functions.

19. When requests are received from Governments, it is the adviser who is expected to plan and execute the approved response. The planned intervention builds on the normative capacities of the entity and the advisers provide feedback to their normative counterparts on the lessons learned from their technical cooperation activities. The use of the advisers has been controversial in the past and in some cases continues to be so, although the basic concept has been approved by the General Assembly and has been the core operating principle of the regular programme of technical cooperation since its inception.

20. Annex II provides full information on the use of the regular programme of technical cooperation by each entity based on disbursements for the biennium 2002-2003. Table 1 below summarizes overall use by expenditure category.

Table 1

Regular programme of technical cooperation expenditures in the biennium 2002-2003 by expense type

		Percentage
General temporary assistance	\$31 861 413	72.6
Consultants and experts	2 274 313	5.2
Other personnel-related costs	276 834	0.6
Travel on official business	4 491 770	10.2
Other	135 760	0.3
Contractual services	201 484	0.5
General operating expenses	61 384	0.1
Training	4 597 648	10.5
Total	\$43 901 056	100

21. Table 1 above indicates that 72.6 per cent of total disbursements were for general temporary assistance. From annex II it can be seen that this figure ranged from a low of 44 per cent for one implementing entity to a high of 95 per cent for another. Costs for travel on official business ranged from a low of 0 per cent to a high of 34 per cent. Costs for training ranged from a low of 0 per cent to a high of 25 per cent.

22. While some of the entities have a balanced disbursement pattern between salaries, travel and training, others are evidently using almost their entire regular programme of technical cooperation allocation for salaries alone. This raises several questions. If few travel funds are available, how are these advisers providing services to developing country clients in the field? Why does training represent such a small part (10.5 per cent) of regular programme of technical cooperation disbursements? If advisers are not travelling, as the figures for some entities would appear to indicate, are they carrying out permanent staff functions for which approved posts do not exist?

23. Having raised those questions, it must also be noted that the flexibility of regular programme of technical cooperation funds allows them to be easily used in conjunction with funding from other sources. Some entities indicate that adviser travel is often combined with activities funded from sources other than the regular programme of technical cooperation. The increasing use of new information and communication technologies for technical cooperation also means that, in certain cases, the traditional field mission may be increasingly irrelevant where alternative technologies, such as web-based knowledge networks are available. It is unlikely, however, that these explanations adequately explain this heavy commitment of resources to advisers' salaries without an equivalent commitment to fund their travel to developing countries.

24. The subprogrammes as shown in the budget reflect the approved United Nations strategic plan. While most advisers are assigned to one of these approved subprogrammes, for others, the picture is not always so clear. Some advisers are assigned to central functions where the linkages to priority activities may not always be fully evident. Better reporting on the use of regular programme of technical cooperation funds might help to correct any anomalies that currently exist. Reporting is addressed separately later in this report.

25. Adherence to criteria was more difficult to assess since the criteria are not clear for the programme overall. It has been some years since the General Assembly formally endorsed an integrated series of criteria for the programme. The criteria that exist have been subject to various interpretative statements over the years which, while helpful at the time, are now less clear as to their legislative authority and the importance of which may have eroded over time.

26. A second problem related to criteria is the difficulty of establishing broad guiding criteria for 12 quite different implementing entities, each of which has its own legislative mandate and ongoing governance direction that includes different groups of priority Member States. In such circumstances, the criteria become so broad as to provide little precision for purposes of measurement. If too precise, they may be irrelevant to some implementing entities, as is partially the case at the present time. In the criteria that are proposed later in the present report, an attempt will be made not only to clarify the criteria, but to restrict them only to those that should govern all activities under the programme, regardless of implementing entity.

27. There is one aspect of adherence to the existing criteria that needs review. This relates to the interpretation given to subpoint (g) of the criteria approved many years ago by the UNDP Governing Council (see annex I), namely, that this underlines the need for bridging arrangements with other, better-endowed funds (e.g. UNDP) once the trailblazing activity had produced positive results. This criterion is also linked to the somewhat more recent supplementary guideline 2 outlined in annex I that have evolved, to the effect that the resources be considered as "trailblazer" resources, opening new activities, on a pilot or experimental basis, which might then be taken up by other better-endowed funds once their viability has been shown.

28. These two criteria are now being interpreted as a mandate to engage in project preparation activities that appear to be quite separated from any concept of "trailblazing, pilot or experimental". Few field projects are currently undertaken, so it is not evident to what particular activity the "trailblazing" concept would apply. Increasingly, through the tasks carried out by advisers, the regular programme of technical cooperation is being used by some implementing entities as a project preparation facility to develop projects on behalf of countries which have sought assistance for which the implementing entity can then seek extrabudgetary funding from a variety of sources. This may be a perfectly laudable function, but it is not clear that this was the intent of the initial criteria.

29. There is a second element to this consideration. Both versions of the criterion outlined above refer to "other better-endowed funds". One interpretation of this phrase would be that, following the trailblazing activity, follow-on financing and implementation will be taken over by the other better-endowed fund. An alternative interpretation is that it is only the funding which is taken over by the better-endowed fund, while implementation stays with the entity that carried out the trailblazing activity. This raises the question of which interpretation should be clarified in any new criteria.

Programming

30. The first step in the programming process is the approval by the General Assembly of the regular programme of technical cooperation budget. The objective of the regular programme of technical cooperation as set out in table 23.1 of document A/58/6 (Sect. 23), does not seem to describe the unique role of the programme as it emerges from this review. The objective is stated in paragraph 7, above.

31. This statement of objective perhaps insufficiently differentiates the regular programme of technical cooperation from other technical cooperation activities that exist within the United Nations system. It is perhaps insufficient in portraying the fundamental operating modalities that should make this programme stand out from others and which should help to build better understanding of and support for it. Based on the descriptions provided by the implementing entities as to how they use the programme, the key elements appear to be:

- (a) Fast and flexible response;
- (b) To requests of developing countries;
- (c) To meet their small-scale but urgent requirements;

(d) Through the effective harnessing of the expertise that exists in the United Nations normative and analytical secretariats;

(e) Which, in turn, will help to guide the evolution of normative functions through feedback from field operating experience;

(f) Which help build the countries' development strategies and programmes; and which, in turn,

(g) Help to secure resources for development purposes from other sources.

32. Section 23 is somewhat different in the structure of the United Nations programme budget in that, beyond the aggregate programme level approved, the detailed information provided is intended only to be indicative of the manner in which the funds will be used. Nevertheless, extensive information is provided on the intended use of the resources. The utility of providing such extensive indicative information is questioned. Since the programme is intended to be responsive and flexible, and since the General Assembly clearly does not approve detailed activities in advance, a much more general approval could be considered.

33. A simple approval of the overall programme level, combined with its allocation by subprogramme and implementing agency would appear to be more consistent with the objectives of the programme. Such an approach would demand, however, that the General Assembly be provided useful information on the eventual utilization of the funds and the outputs and impact achieved. Such a mechanism does not currently exist for the regular programme of technical cooperation. Basically, the General Assembly is being provided with extensive information on how the money might be used, but is subsequently provided little information on how it was actually used. Suggestions as to how to fill this gap are made later in the present report.

34. Once the budget has been approved, implementing entities take differing approaches to the programming of their respective allocations. It is evident that in implementing entities that devote close to 100 per cent of their regular programme of technical cooperation allocation to advisers' salaries, the main programming instrument for the regular programme of technical cooperation will be the work plan of the adviser and its linkage to the work plan of the substantive division that it serves. Annex III provides further detail on some of the other tools used for programming of the regular programme of technical cooperation.

35. While it is the General Assembly that approves the funding for the regular programme of technical cooperation and the broad criteria for its use, it is the governing bodies of the implementing entities, as well as certain advisory commissions or committees, that help to establish the entity-specific programming priorities. In most cases, governance overview of the use of these funds does not stop with General Assembly approval of the overall budget. While the governing and advisory bodies of individual implementing agencies provide guidance on the use of the funds, formal approval of individual activities normally rests in the hands of the Professional staff. In other words, governing and advisory bodies are not required to approve individual activities.

36. In some implementing entities (or in certain sub-units of those entities that receive regular programme of technical cooperation allocations), linkages to the formal governance process, such as those existing in the regional commissions, are

less direct. In many of those cases however, the unit or division works closely with some type of advisory commission. For example, the Division for the Advancement of Women of the Department of Economic and Social Affairs receives a small allocation of regular programme of technical cooperation resources, which it uses largely to pursue its role in support of the Committee on the Elimination of Discrimination against Women and on the intergovernmental convention that it oversees. The Committee takes an active interest in the technical cooperation work of the Division, particularly to the extent that those activities help countries to develop the capacity to meet their obligations under the Convention. While advising on general priorities, the Committee is not asked to review individual activities. A similar pattern exists in many of the implementing entities that utilize commissions or committees to inform, but not to govern, their work.

37. This ability to assist developing countries to understand, become signatories to and to meet their obligations under, many international agreements and conventions represents valued work for the United Nations system. Owing to the very specialized nature of many of these conventions, while the work is important, it often falls outside of the established priorities of the main voluntarily financed funds and programmes. In other cases, the work may fall within the priorities of other funds and programmes, but the tasks undertaken are often the required preparatory building blocks for larger scale funding from the funds and programmes or from other extrabudgetary resources.

Monitoring

38. Since 73 per cent of regular programme of technical cooperation funds are spent on advisers' salaries, the most critical element is the monitoring of advisers' work plans. As indicated elsewhere in the present report, concerns exist as to whether activities in some implementing entities are monitored to ensure their compliance with the guiding criteria for activities funded by the regular programme of technical cooperation. This situation would arise where managers may condone or request advisers to undertake activities that should be carried out by staff, were the approved posts authorized. Greater discipline in this respect could be achieved through more effective reporting requirements.

39. Most of the individual activities carried out by advisers under the regular programme of technical cooperation are small-scale and of short duration. As a result, the individual activities implemented under the regular programme of technical cooperation do not present the same type of challenges that are encountered in large scale multi-objective projects being executed over an extended time period, which are also supported by advisers.

40. Within the broader context of the monitoring of advisers, two additional monitoring elements are important, namely, (a) whether the key activities are being carried out on schedule; and (b) whether the budget is being respected.

41. For the regular programme of technical cooperation, these issues must be addressed at two levels: that of the implementing entity; and for the regular programme of technical cooperation overall.

42. Monitoring at the level of the implementing agency is not complicated, but requires dedication, owing to the number of activities involved. On the financial side, budgeting is relatively easy, since the cost of advisers' salaries are known.

Other inputs, such as travel and training costs, are easy to estimate. Monitoring these budgets should be straightforward.

43. At the central level, there is very limited monitoring of the substantive activities of the regular programme of technical cooperation. Financial control for the overall programme is assumed by the Office of Programme Planning, Budget and Accounts of the Department of Management. The responsible office authorizes allocations to each implementing agency and receives regular financial reporting through a variety of channels. While financial reporting is consistent, substantive reporting appears to be less disciplined, in the absence of a central substantive responsibility centre. At present, the financial officer can only assume a limited role in monitoring the link between substantive activities and financial reporting. Some measures are currently under consideration to correct this weakness in the current system through improvements in the management information systems.

44. Strengthened central monitoring of the substantive activities of the regular programme of technical cooperation is required and will ultimately depend on better reporting mechanisms.

Performance review

45. Performance review can have a variety of meanings, with two considered relevant here:

(a) Performance of the advisers, whose salaries represent the great bulk of regular programme of technical cooperation spending;

(b) Performance of the activities in terms of their success in achieving developmental impact at both the implementing entity and overall regular programme of technical cooperation levels.

46. Most implementing entities ensure that each adviser has a work plan that is the basis for his or her personal performance review. This assessment uses the United Nations electronic performance appraisal system (e-PAS). The quality of the performance review will be dependent on the quality of the inputs by the assessing manager(s). All implementing entities have a systematic approach in place to assess adviser performance.

47. Each implementing agency uses a variety of tools for assessing the level of client satisfaction. This is generally in the form of feedback questionnaires that are completed shortly after the activity is completed. Some entities now engage in a second process of follow-up, which normally takes place about one year after the completion of the activity. Some entities are currently exploring other forms of evaluation of results through different modalities and different time frames.

48. Assessing the true developmental impact of technical cooperation activities is a difficult task in almost all circumstances. Even for very large technical cooperation interventions, it is difficult to attribute results to individual activities when true impact measurement can only be reflected through progress identified through very broad macro indicators over an extended period of time. If it is difficult for large activities, it is even more so for the very small activities that characterize the regular programme of technical cooperation. For many technical cooperation activities, it is normally more useful to think in terms of activities and outputs, rather than impact.

49. In some of the implementing entities, assessment of the results of the regular programme of technical cooperation is gradually moving from an anecdotal approach to a more systematic effort to compile results data. At the anecdotal level, many entities can point to numerous instances in which regular programme of technical cooperation activities have been essential catalysts in obtaining follow-on funding from other sources. Many highlight the importance of the specialized knowledge of advisers in helping developing countries to effectively address strategic planning processes, such as the poverty reduction strategy papers or the United Nations Development Assistance Framework. Others can point to countries that have acceded to international conventions as the result of the assistance provided, or that have been helped to meet their reporting obligations under such conventions. Many implementing entities highlight the fact that their focus on "training the trainers" is reflected in the absence of recurring demands for services in those areas. These results may be documented in a variety of formats within each individual implementing entity, but at present they are not rolled-up to provide a results assessment for the regular programme of technical cooperation overall.

50. If better and more systematic reporting is required overall, under certain circumstances, it might also be useful to do thematic evaluations (of the type being done for the Development Account) that are relevant to the programme as a whole. For example, if helping countries with their development planning processes is an objective that is common to many, then it could be useful to examine this issue across the breadth of the programme. At present, the lack of a single programme manager for the regular programme of technical cooperation means that there is no one who is mandated to initiate such thematic evaluations.

Reporting and oversight

51. Three levels of reporting are relevant:

- (a) Reporting (primarily by advisers) on individual activities undertaken and their results to their managers in the implementing entity;
- (b) Reporting by the implementing entity to its own governance or advisory bodies on its use of regular programme of technical cooperation funds and the results achieved;
- (c) Centralized reporting to the General Assembly on the activities undertaken and the results achieved by the regular programme of technical cooperation as a whole.

52. There is ample evidence that reporting at the first level is being carried out. Mission and activity reports are standard practice in all of the implementing entities. Evaluative feedback from workshop and seminar participants is also common. Both written and verbal communication between advisers and staff on practical experiences in the implementation of activities at the field level help to influence the direction of ongoing normative and analytical work.

53. Reporting at the second level outlined above varies from entity to entity. All entities report on the regular programme of technical cooperation in terms of both activities and finances for internal management purposes. Many entities also report to their governing or advisory bodies on technical cooperation overall, with varying levels of detail on the linkages between activities and funding sources.

54. While important, owing to its responsive and flexible nature, for most entities, regular programme of technical cooperation funding represents a relatively small portion of their overall technical cooperation efforts. When each entity looks at its technical cooperation activities with its boards, commissions or committees, it is normally more important to discuss the governance functions of goals, strategies, activities and results than to focus on linking activities to funding sources. Distance from the governing body is also an issue. Some entities work much more closely with their governing body or advisory commission than others.

55. It is the third level of reporting that presents the most substantive challenge for the regular programme of technical cooperation. This challenge arises from a series of interrelated factors:

(a) There is no single programme manager designated for the regular programme of technical cooperation;

(b) When the regular programme of technical cooperation was created in 1997, the Department of Economic and Social Affairs did not assume the same responsibility for reporting on it that was exercised by its predecessor departments prior to reorganization;

(c) Some incomplete reporting is still routed through the UNDP/United Nations Population Fund Executive Board, but that information does not cover the entire regular programme of technical cooperation nor all of its implementing entities;

(d) The biennial programme performance report of the United Nations covers performance by budget section but does not include a section for the regular programme of technical cooperation (Sect. 23). Although some entities may include section 23 activities in their overall programme reports, activities funded by the regular programme of technical cooperation are not specifically identified;

(e) The United Nations biennial programme performance report is designed for activities other than technical cooperation and is not the type of integrated substantive and financial reporting that Member States would receive from, for example, the voluntary funds and programmes or from some of the special voluntarily funded programmes of the specialized agencies.

56. This situation leads to a number of negative results:

(a) The General Assembly is placed in the uncomfortable situation of being asked to approve a significant level of resources for each biennium, the detailed use of which will be determined later on the basis of the requests that are received, without receiving any useful reporting on how the funds previously approved were used;

(b) Governance does not have the ability to monitor performance and undertake corrective actions where required;

(c) The regular programme of technical cooperation effectively bypasses useful debates on programmatic themes that take place in organs, such as the Economic and Social Council, the Second (and perhaps the Third) Committee(s), debates which would help to guide the programme substantively and allow it to situate itself among the variety of technical cooperation mechanisms of the United Nations system;

(d) Implementing entities are denied the opportunity to report on the many positive results they achieve through the regular programme of technical cooperation and to build support for it in the General Assembly, not solely on faith, but on demonstrated results.

57. In terms of oversight, the regular programme of technical cooperation has not in recent years been the focus of any focused audit or evaluation activities. The Office of Internal Oversight Services and the Advisory Committee on Administrative and Budgetary Questions have commented in the past on various aspects of the functioning of the regular programme of technical cooperation. Most of the comments of the Office of Internal Oversight Services have been raised in the context of broader reviews of one or more of the implementing entities. Comments made in the past include concern over the weak integration of some adviser activities into the work of the substantive divisions and the possible inappropriate use of the regular programme of technical cooperation for functions that are more properly those of regular budget core staff members. At present, the Office of Internal Oversight Services is also considering ways to fill the current reporting gap that exists for the overall programme. There are elements of the regular programme of technical cooperation operations that could benefit from both audit and/or evaluation.

58. In sum, reporting and oversight for the regular programme of technical cooperation overall is inadequate at the central level. As a result, expectations for the programme have not been regularly updated, with the result that they are now unclear. What expectations do exist are not effectively monitored. Such a situation encourages a very liberal interpretation of the guidelines.

IV. Operating modalities of the Development Account

59. The following areas have been determined to be of particular relevance to the review of the Development Account requested in General Assembly resolution 58/270:

- Compliance with the General Assembly-approved mandate and related resolutions
- Methodology and mechanisms currently used for programming and utilization of its resources.

60. The programme manager of the Development Account (the Under-Secretary-General for Economic and Social Affairs) has made extensive use of web-based technology to assist in the management of the account. Much of the programming and implementation cycle is now developed and monitored through electronic means based on the information and instructions provided on its web site. Considerable detailed information on the Development Account and on individual projects is available at www.un.org/esa/devaccount.

Compliance

61. The mandate approved by the General Assembly for the Development Account calls for application of the following specific elements:

(a) The Development Account is to support the approved programmes of the strategic framework;

(b) The Development Account programme should complement the other relevant sections of the programme budget;

(c) Approved projects should:

(i) Have multiplier effects and promote capacity-building in developing countries;

(ii) Promote regional and interregional economic and technical cooperation among developing countries;

(iii) Use available human and technical resources from the developing regions.

62. The General Assembly has revisited the guidelines for the use of the Development Account on a number of occasions in considering new budget proposals and in reviewing performance reports. The Development Account programme manager currently uses the following criteria to assess and prioritize requests for funding. These criteria are fully consistent with the decisions of the General Assembly:

(a) Demonstrate the benefits accruing in building national capacities;

(b) Utilize the technical, human and other resources available in developing countries;

(c) Have multiplier effects and promote capacity-building in developing countries;

(d) Promote regional and interregional economic and technical cooperation among developing countries;

(e) Lead to some durable, self-sustained process and have synergies with other development interventions;

(f) Be executed within two bienniums (projects approved in the budget for 2004-2005 must be completed at the latest by December 2007).

63. Bearing in mind that these projects have already been reviewed and approved by the General Assembly, to test compliance with the approved mandate of the Development Account, a randomly selected sample of five projects from those approved for the biennium 2004-2005 was reviewed. At the time the projects were selected (about six months after approval by the General Assembly of the budget), the final project documents for 5 of the 23 approved projects had not yet been approved by the programme manager. The 5 sample projects were selected from the 18 documents that had been approved. Although selected at random, it turned out that all projects had different lead implementing entities. Since the Development Account is managed in a manner that seeks to promote cooperative efforts among the various implementing entities, this criterion was added to the list addressed in table 2 below.

Table 2
Selection of Development Account projects against guiding criteria

	<i>Project 1</i>	<i>Project 2</i>	<i>Project 3</i>	<i>Project 4</i>	<i>Project 5</i>
Capacity-building	Yes	Yes	Yes	Yes	Yes
Use of resources of developing countries	High	High	Medium-High	High	Medium-High
Multiplier effects	Possible	Possible	Probable	Improbable	Probable
Promotes cooperation among developing countries	Subregional basis only	Regional and interregional	Regional and interregional	Regional	Subregional, regional and interregional
Sustainable result	Possible	Probable	Probable	Improbable	Probable
Executed within two bienniums	Yes	Yes	Yes	Yes	Yes
Multiple United Nations entities	No	Yes-3	Yes-5	No	Yes-8

64. Caution needs to be exercised in interpreting the above table. Two of the criteria involve judgements about future events: multiplier effects and sustainable results. The judgements of the project managers on these future oriented criteria may be just as valid as those reflected in the above table. Good planning does not always guarantee good results, although it improves that probability.

65. If the "future oriented" criteria are removed from the above list, it is evident that, in most cases, those elements that are controllable at the planning stage are being addressed within the established criteria. For the "non-future oriented" criteria, all but one were effectively addressed in each project document. The criterion "use of resources of developing countries" was not always specifically addressed. Judgements on this criterion involved interpreting data from other sections of the document. In general, it can be concluded that most of the projects met all of the programme criteria.

Programming and utilization methodologies

66. The main steps that apply to the programming of the Development Account are outlined in annex IV. To test adherence to the required project format (also outlined in annex IV), the same five projects were assessed. No chart was prepared because all the projects essentially met the requirements of the programme manager. They all contained all of the elements outlined in the paragraph above, most perhaps erring on the side of overfilling, rather than falling short of the requirements.

67. Developing a project document according to a highly disciplined and detailed framework has many advantages. Regardless of the quality of the framework, the quality of the document overall is dependent on the material contained within the framework. In the case of the Development Account projects reviewed, the overall quality was high. The weaknesses were mostly related to the use of the "objectively

verifiable indicators" that would be used to measure results. Technical cooperation is oriented to the development of human resources and institutions. Such an orientation makes true impact extremely difficult to measure at the micro level and in the short term. Other than output assessment, verifying results for small-scale technical cooperation activities is very difficult. The implementing entities have been extremely thoughtful in attempting to find verifiable indicators and, in general, have managed to think through their responses credibly.

68. What is sometimes less credible is the extent to which the indicators meet two of the programme manager's requirements for indicators, namely that: (a) the indicator must be attainable at reasonable cost; and (b) indicators must be useful in influencing management of the project and not just an indicator of its results *ex post facto*. Some of the indicators proposed would seem to entail data-gathering exercises the cost of which would be out of proportion to the cost of the project. Secondly, correcting the course of a project with a budget of \$600,000 to be implemented over four years is an entirely different challenge than that of correcting the course of a programme with a \$60,000,000 financial framework and a time frame of a decade. Technical cooperation managers involved in projects funded by the Development Account and the regular programme of technical cooperation are showing remarkable creativity in this area, but the expectations may be unrealistic.

69. The programme manager for the Development Account provided a comprehensive third progress report on the implementation of projects financed from the Development Account to the General Assembly at its fifty-eighth session (A/58/404). The report provided information on the lessons learned in managing the Development Account to date, presented some narrative assessments of the impact achieved from a selection of completed projects and reported on two thematic evaluations carried out on two sectoral groupings of projects (sustainable development and statistics). The programme manager was asked to move to a biennial reporting basis in parallel with the budget approval process. The results reported were quite positive and reflected generally useful results for relatively small expenditures. The narrative results provided were appropriate in that they reflected a realistic assessment of the type of reporting that can be both useful and cost-beneficial for projects of this size. It might be useful to consider providing a brief summary of results in similar form on all projects completed within the biennium as part of the next report.

70. In sum, the Development Account is well managed and no substantive changes are required in the areas of programming and utilization. The problem of implementation slippage that has been commented on by the General Assembly is being addressed and improvement is evident. This remains a priority for the programme manager.

V. Main issues

71. From the review of the operations of the two programmes several main issues have been identified, as follows:

1. Relevance of the regular programme of technical cooperation and the Development Account;

2. Use of advisers as the prime delivery mechanism for the regular programme of technical cooperation;
3. Fundamental options for the future of the regular programme of technical cooperation;
4. Reporting and designating programme manager(s) for the regular programme of technical cooperation.

Issue 1

Relevance of the regular programme of technical cooperation and the Development Account

72. The shift in the role of UNDP from being the central funding agency for technical cooperation activities for all entities of the United Nations system has led to a gap in funding. This gap essentially arises from the now limited interest of UNDP in funding four types of activities that are funded by the regular programme of technical cooperation and the Development Account: (a) small-scale responsive activities that build on the normative and analytical expertise of a variety of United Nations organizations; (b) small activities that, while important, fall outside of the UNDP programme priorities; (c) assisting many developing countries to prepare basic development planning mechanisms, such as poverty reduction strategy papers and the United Nations Development Assistance Framework; and (d) assisting many developing countries to understand, adhere to and meet their obligations under a variety of international agreements and conventions housed within the United Nations system. The loss of UNDP funding for these types of activities is exacerbated by the increasing trend of bilateral donors to earmark funds according to a limited set of priorities, combined with a reduced interest in small project activities because of the management costs entailed. Despite the general trend of development assistance towards more strategic programme interventions, both the regular programme of technical cooperation and the Development Account play an important ongoing role in support of broader objectives.

73. The Development Account is important to the United Nations system as a whole, in that it:

- (a) Is complementary to regular programme of technical cooperation funding, in that it allows implementing entity staff to address important issues from the perspective of the broader agreed thrusts of the United Nations system as a whole;
- (b) Allows a more systemic approach to be taken and encourages broader complementarity of action between United Nations organizational entities by encouraging multi-entity cooperative projects;
- (c) Allows the entities to engage on key issues in more depth and over a longer time frame;
- (d) Allows the United Nations to act in sensitive areas with greater neutrality than might be possible with projects dependent on extrabudgetary funding, which normally reflects donor priorities;
- (e) Can be used in combination with other regular budget, extrabudgetary and technical cooperation activities to create positive synergies and to increase the overall effectiveness and efficiency of a relatively small pool of funds;

(f) Does valuable work, as confirmed by the thematic reviews carried out to date.

Issue 2

Use of advisers as the prime delivery mechanism for the regular programme of technical cooperation

74. The fundamental purpose of the regular programme of technical cooperation historically has been to provide advisory services through specially recruited advisers. Guidance on the delivery of advisory services was provided to the General Assembly in the report of the Secretary-General dated 20 September 2002 (A/57/363), in which advisory services are defined as:

"A specific modality of technical cooperation that a United Nations entity extends to developing countries and countries in transition, drawing on its substantive field of normative and analytical expertise, in order to produce learning and knowledge that serve to support and advance their capacity-building efforts, by (a) responding to requests of Governments for urgent on-the-spot (emphasis added) advice on policy-related issues; (b) providing Governments with specific advice on sectoral matters relevant to their country programmes; and (c) assisting Governments in the formulation of projects and in programme evaluations leading to the enhancement of national programmes" (para. 3).

75. For some, the concept of advisory services to requesting developing countries assumes that those services will be provided in the requesting country. This is the concept outlined in the Secretary-General's statement referenced above when the advisory function is partially described as "responding to requests of Governments for urgent on-the-spot advice on policy-related issues". It can however be argued that the "on-the-spot" concept applies only to the provision of advice on policy-related issues, as it has not been repeated for the functions of "advice on sectoral matters" or for advice on the "formulation of projects". This is an important question with implications for the role advisers are expected to play. If it is accepted that advisers can perform their functions just as well at Headquarters as in the field, then differentiating between the functions of staff and advisers, as well as monitoring the appropriate utilization of advisers, is more complicated.

76. A number of concerns have been raised about the role of advisers today, ranging from the difficulties of differentiating between staff and adviser functions to the extensive involvement of advisers in project preparation activities that could risk being supply rather than demand driven. Others however maintain that the increasing integration of adviser activities with those of staff simply reflects the optimal use of limited human resources. The use of advisers for project preparation simply reflects the new realities of project funding in the United Nations system. The issue of adviser use is addressed more extensively in annex V.

77. The issue of adviser use is very complicated. The key points are summarized below:

(a) The current criteria for the regular programme of technical cooperation do not, as some believe, require adviser functions to be carried out largely in the field;

(b) The demarcation between the work of staff and advisers is being increasingly blurred;

(c) The use of advisers to fill positions for which no permanent staffing authorities exist is an open secret for some implementing entities;

(d) Some of these "shadow-staffed" positions are directly in support of technical cooperation while others may be more distanced from technical cooperation;

(e) Project preparation is an increasingly large portion of the work of some advisers;

(f) These situations combined make it extremely important to:

(i) Clarify the intent of the programme;

(ii) Develop reporting modalities that will allow that intent to be monitored.

Issue 3

Fundamental options for the future of the regular programme of technical cooperation

78. The basic options for the future of the regular programme of technical cooperation are the following:

(a) Eliminate the regular programme of technical cooperation and to effect the savings;

(b) Transfer current regular programme of technical cooperation funds to the regular programmes of the implementing entities by:

(i) Adjusting each programme's base budget level upwards to reflect its present share of section 23 funding;

(ii) Adjusting each programme mandate to require a service similar to that of the regular programme of technical cooperation;

(iii) Not tracking the (former) section 23 funds separately;

(iv) Eliminating Section 23 as a separate programme;

(c) Option (b), except that each entity would track its regular programme of technical cooperation activities by establishing a separate subprogramme for technical cooperation in which the use of the funds transferred from the regular programme of technical cooperation would be used for similar purposes and accounted for separately;

(d) Maintain the current structure of the regular programme of technical cooperation as a separate budget section, but to improve programme efficiency and effectiveness through clarification of the programme's objective and criteria and a significant improvement of performance monitoring and reporting;

(e) Maintain the current structure, objective and criteria of the regular programme of technical cooperation, but better assess the entities' use through individual audits;

(f) Accept the programme as it currently functions.

79. Options (a) and (f) are not addressed in any detail. The implications of the two options are fairly evident. Option (a) is unlikely to receive much support and the basic objectives of the regular programme of technical cooperation are useful and would be lost. Option (f) allows for the continuation of a rather confusing situation. Under Option (f), any opportunity to clarify the guidelines for the use of advisers would be lost.

80. Option (b) would eliminate any artificial line that currently exists between the use of advisers and staff, in that it would presumably entail the end of the adviser positions. It would also likely entail the end of the technical cooperation services as currently expected under the regular programme of technical cooperation, since the funds would lose their identity and would most likely be quickly swallowed up by the other activities of the implementing entity.

81. Option (c) would see the disappearance of the regular programme of technical cooperation and section 23, but would, on the other hand, see the creation of separate technical cooperation subprogrammes in each programme. These could be established with base funding levels equal to the amounts transferred from the regular programme of technical cooperation. Reporting and budgeting would be simplified, in that all the activities for a programme would be presented in one section, ensuring completeness. This would, however, also remove the ability to look at all of these "regular programme of technical cooperation-type" functions on a consolidated basis for all of the programmes. The funds initially allocated to the technical cooperation subprogramme would have to be restricted as to use, or they would likely be swallowed up by other programmes.

82. Option (d) would preserve the present budget structure and general operating modalities. How the programme is to be used would have to be clarified and certain central performance yardsticks would need to be developed. Budgeting and reporting would be on a "rolled-up" basis for all activities regardless of their implementing entities. Individual programme reporting (as in the programme performance report) would therefore continue to be incomplete, in that it would not cover regular programme of technical cooperation (or Development Account) activities. This approach would require a much better reporting structure for section 23 as a whole that links finances, activities and results.

83. Option (e) would leave the programme largely as it is, but should be accompanied by a better reporting structure. It would be difficult under this option to develop any universally applicable central performance monitoring indicators. Addressing the issue on adviser use would have to be on the basis of individual audits.

84. While all options are possibilities, the most realistic alternatives are options (c) and (d).

Issue 4

Reporting and designating programme manager(s) for the regular programme of technical cooperation

85. The weakness in the current reporting structure for the regular programme of technical cooperation has been outlined earlier and is at least partially linked to the lack of a single programme manager for the regular programme. Two questions flow directly from this assessment:

(a) Should a single responsible manager for the regular programme of technical cooperation be designated (as is the case with the Development Account)?

(b) How can reporting be improved on the overall activities of the regular programme of technical cooperation?

86. The value of the regular programme of technical cooperation rests in its decentralized management and its ability to be a mechanism for quick response in meeting the needs of developing countries, where those needs are best met by accessing the expertise that has been developed in the implementing entities through the exercise of their normative and analytical functions. These positive characteristics should not be diluted by designating a single programme manager for the regular programme of technical cooperation. Nevertheless, it is important that a clear line of accountability exist for the effective and efficient use of regular programme of technical cooperation resources. In this regard, it would be appropriate to designate the executive head of each implementing entity as the responsible programme manager for the regular programme of technical cooperation funds allocated to that entity.

87. Some type of central programme coordination is still required. There must be a capacity to prepare certain documentation on a consolidated basis, given the fact that the regular programme of technical cooperation is budgeted and approved on an overall basis. This would also entail some reporting function on a consolidated basis. This coordination function requires a programme orientation rather than the largely financial orientation of the current role of the Office of Programme Planning, Budget and Accounts. It is appropriate that the Department of Economic and Social Affairs be designated as the overall coordinator (but not programme manager) for the regular programme of technical cooperation, on the virtue of its role as a key user of the regular programme and its working proximity to the central financial and governance functions located in New York. The respective functions of the coordinator and the programme managers are addressed later.

88. Such an approach still requires a determination of the type and frequency of reporting to be undertaken. In this respect, the following four different approaches merit consideration:

(a) Utilizing the budget fascicle to report in a succinct manner on the results achieved with the funds approved for the previous biennium (e.g. 2002-2003 report with 2006-2007 budget);

(b) Using the United Nations programme performance report by specifically reporting on the utilization of regular programme of technical cooperation funds in the relevant programme chapter for each implementing entity;

(c) Creating a section of the programme performance report specifically for the regular programme of technical cooperation (sect. 23) with an introductory section for the programme as a whole to be prepared by the programme coordinator and with a succinct presentation by each implementing entity covering its regular programme of technical cooperation activities, outputs and impact;

(d) Creating, as is the case with the Development Account, a separate report on regular programme of technical cooperation activities outputs and impact, with a structure and responsibilities similar to those outlined in option (c) above.

89. The advantages and disadvantages of each option are addressed briefly in annex VI.

90. Assuming the regular programme of technical cooperation is maintained as a separate programme with its own budget section, option (a) is the preferred option. A fully satisfactory alternative would be option (d). The two options that involve reporting on the regular programme of technical cooperation through the programme performance report are considered to be less satisfactory, as the current programme performance report format is not considered to meet the minimal standards that should apply to this type of technical cooperation.

91. On the content of the reporting to be provided, a reporting format has already been suggested in the most recently approved programme budget document for section 23.⁴ Additional work is being done to attempt to make the impact reporting more meaningful. This would include addressing issues such as: projects prepared, follow-up funding generated, conventions signed or reporting obligations met; new legislation or policies adopted by the countries served.

92. It would be useful if certain basic statistical data were to be provided in a common format by all implementing entities. One possible approach to this is included in annex VII, but each entity should also be obliged to report on substantive accomplishments using the indicators that are most relevant to that entity. If this expectation is made clear, it will ultimately prove possible to achieve a much more complete understanding of the accomplishments of the programme as a whole. It will also be possible to compare the approaches of individual entities to the challenge of demonstrating results.

93. There is one additional reporting question that should be considered, namely, to whom should the performance reporting be submitted? In the past, reporting on the regular programme of technical cooperation has been provided through a variety of channels. At one point, reporting flowed through the (then) UNDP Governing Council, then to the Economic and Social Council and the Second Committee. Budgetary requests on the other hand flow through the Committee for Programme and Coordination, the Advisory Committee and the Fifth Committee. Since regular programme of technical cooperation reporting has been largely non-existent for the past six or seven years, the development side of United Nations governance in New York has essentially lost sight of the programme. The only documentation flow has been for the budget itself, which goes through the Committee for Programme and Coordination, the Advisory Committee and then to the Fifth Committee. This should be rectified by reporting on the substantive work of the regular programme of technical cooperation and the Development Account through the Economic and Social Council and the Second Committee.

VI. Proposals for the regular programme of technical cooperation

Proposal 1

Fundamental options for the future of the regular programme of technical cooperation

94. Two options were considered to be viable for the future of the regular programme of technical cooperation:

(a) Eliminating section 23 by allocating on a pro rata basis its resources to technical cooperation subprogrammes within each programme section, while implementing measures to ensure that the resources are protected for the use of developing countries according to the objectives and criteria outlined below;

(b) Retaining the regular programme of technical cooperation by maintaining section 23 and by improving the programme by updating its objective, criteria, management responsibilities and reporting arrangements as outlined below.

95. It is considered that option (b) is the most suitable. The logic of a single fully-integrated budget and reporting structure by United Nations budget programme is appreciated. However, the process of integrating regular programme of technical cooperation resources into the individual programmes could prove to be complex and would present an important challenge in the safeguards that would have to be developed to ensure the resources continued to be used for the intended purposes. In operational terms, it is not evident that restructuring into the programmes would create opportunities for more effective management.

Proposal 2

Mandate and criteria for the regular programme of technical cooperation

96. It is proposed that the objective for the regular programme of technical cooperation be rewritten to better reflect its role within the United Nations system. The following wording, which is based on the Secretary-General's statement of 20 September 2002 (see A/57/363, para. 3) is submitted for consideration:

The objective of the regular programme of technical cooperation is to extend technical cooperation assistance through the most appropriate mechanisms to developing countries and countries in transition, drawing on the substantive field of normative and analytical expertise of the implementing entity, in order to produce learning and knowledge that serve to support and advance the countries' capacity-building efforts by (a) responding to requests of Governments for urgent advice on policy-related issues; (b) providing Governments with specific advice on sectoral matters relevant to their development strategies and programmes; and (c) assisting Governments in the formulation or evaluation of programmes and projects leading to the enhancement of national programmes.

97. Despite the wording provided above, which tends to be open-ended on the nature of the project preparation activities to be undertaken, the General Assembly may wish to further clarify its intentions for this type of activity (see discussion in paras. 26-28).

98. In proposing criteria, it is evident that they should flow smoothly from the objective as stated above. It is useful to recall again that these criteria will govern the programme as a whole, but must also allow for the secondary level of criteria that will be applied by the individual implementing entity that is responsible for the decentralized management of its own regular programme of technical cooperation allocation according to its own governance approved priorities. Certain criteria that have existed previously do not reappear below because they may not be relevant to the strategic priorities of one or more of the implementing entities. Those that are suggested below should be relevant to all implementing entities, regardless of their individual priorities:

(a) Activities should be primarily responsive to the requests of developing countries and be of a short term nature (i.e., conceived and implemented within less than two calendar years);

(b) Activities should fall within one of the implementing entity's priority areas as mandated by its governing body and on which the implementing entity plays a demonstrable leadership role in normative and analytical functions;

(c) Activities should build capacity in developing countries, including for meeting treaty and related normative obligations, and have a secondary objective to provide information, through the feedback of experience gained in developing country realities, on the normative and analytical functions of the implementing entity;

(d) Activities that aid in the preparation of specialized components of a country's development strategy or that help to prepare requests for larger-scale funding from other sources are encouraged;

(e) The modalities used for the delivery of the technical cooperation are intended to be flexible, utilizing those best suited to the objective being pursued, including, but not limited to, advisers, consultants, training, distance learning, knowledge networks and field projects.

Proposal 3

Reporting arrangements

99. The following summarizes the proposals for reporting on the regular programme of technical cooperation.

100. First, the Under-Secretary-General for Economic and Social Affairs should be designated as the programme coordinator for the regular programme of technical cooperation. This coordinating role would entail the following functions:

(a) Developing with other interested parties a suitable format for the budget fascicle;

(b) Ensuring that the introductory section of the budget fascicle which deals with the programme overall is appropriate, reflecting the programme's evolution and the cumulative impact of governance decisions;

(c) Ensuring the ongoing relevance of the General Assembly-approved criteria that govern the operations of the regular programme of technical cooperation overall;

(d) Developing a suitable reporting format for the regular programme of technical cooperation in consultation with the other interested parties;

(e) Rolling-up on a biennial basis the reports received from implementing entities into a single comprehensive report on regular programme of technical cooperation activities;

(f) Managing, as may from time to time be required, cross-entity thematic evaluations of the regular programme of technical cooperation that are relevant to the learning and governance processes and which would be funded by reserving a portion of approved regular programme of technical cooperation funds for this purpose.

101. Second, the executive head of each implementing entity should be designated as the programme manager for the funds allocated to it under the regular programme of technical cooperation. In addition to the overall responsibility for the good management of the regular programme of technical cooperation funds allocated, the programme managers would be responsible for:

(a) The content of their individual sections of the budget fascicle within a common structure to be developed by the programme coordinator in consultation with the interested parties;

(b) Reporting on their utilization of the approved funds on the basis of activities, outputs and impact;

(c) Responding to other accountability requests related to the regular programme of technical cooperation funds allocated to them.

102. Third, the preferred option is to use the budget fascicle to present both the request for new programme funding and to report on the previous but one biennium (i.e., reporting on the biennium 2002-2003 would be presented with the funding request for 2006-2007), as it would link budget approval to reporting on past performance. An alternative would be to report separately (outside of the United Nations programme performance report) as is currently the case for the Development Account. This approach has the advantage of resulting in a report that would be more useful for the review by the Economic and Social Council and the Second Committee, as recommended below.

103. Whatever the ultimate tool selected, it is recommended that the report contain the following basic information:

(a) A succinct overview of the programme as a whole, including statistical data on a rolled-up basis (responsibility of the programme coordinator);

(b) Basic disbursement and adviser time-allocation data (see annex VII) prepared in a uniform format by each implementing entity for the funds disbursed by it (responsibility of each programme manager);

(c) A succinct narrative section for each implementing entity which deals with questions such as utilization of resources by priority of the entity, activities, outputs and impact (responsibility of each programme manager).

104. Fourth, in addition to the bodies involved in budget approval, the regular programme of technical cooperation performance report should be submitted to the Economic and Social Council and to the Second Committee.

Proposal 4

Audit of the regular programme of technical cooperation

105. A number of proposals are made above that are intended to clarify the objectives, criteria and operating modalities of the regular programme of technical cooperation. Since the use of advisers is one of the contentious issues, if the General Assembly clarifies these issues by adopting a new objective statement or new criteria for the programme, it would be useful to audit the implementation of that new guidance, including the use of advisory services, at an appropriate point in the future. Presumably this would not prove productive until the programme had operated under the new guidance for at least one biennium. This would mean that an

audit could be considered for 2008 or later. An audit at the present time would likely only confirm that the current guidelines are being interpreted in many different ways.

VII. Proposals regarding the Development Account

106. There are no recommendations to be made to improve the efficiency, effectiveness, project formulation, complementarity, implementation and evaluation of the Development Account. The programme is being well managed and is operating in a manner that is fully consistent with its General Assembly-approved directions.

Proposal 5

Approve a statement of objective for the Development Account

107. It would be useful to ensure a clear ongoing mandate for the Development Account, not only through the approved criteria, but also through an approved statement of objective for the programme. The following is suggested as possible wording for the objective:

The objective of the Development Account is to fund medium-term technical cooperation projects (up to four years for implementation, following approval of the project document) in the priority areas of the implementing entities and that benefit multiple developing countries by encouraging cooperative efforts between various United Nations programmes in innovative cross-sectoral and regional or interregional activities and which are based mainly on the technical, human and other resources available in developing countries.

Proposal 6

Funding arrangements for the Development Account

108. The initial funding level for the Development Account was established in 1997 on the basis of savings from reductions in administration and other overhead costs identified in the Secretariat from the reform programme of the Secretary-General. The General Assembly also established the savings identified at that time as the base level of funding for future years, with future verifiable and sustainable savings to be added to the account.

109. While this latter provision was well intentioned, its impact has been that no further savings have been identified. While unintended, this is not a good result. It was perhaps excessively optimistic to expect managers to identify savings in their own activities that would then automatically be reallocated to another programme. While removing this provision does not necessarily guarantee that further savings will be identified, its continued existence almost guarantees that they will not. For this reason, it is considered that the provision overall is counter-productive and should be rescinded by the General Assembly. Any future increase in funding levels for the Development Account should be considered in the light of competing priorities that exist for the use of the overall United Nations programme budget.

VIII. Combining sections 23 and 35 into one budget section (with one or two parts)

110. The regular programme of technical cooperation has a funding pattern that has been stable and only inflation-adjusted for many years. Although it has a much shorter history, the funding base for the Development Account has been similarly clearly established. Given these separate histories and the rather different nature of the two programmes, it is unlikely that combining the two programmes into one budget section with two separate parts would actually lead to any transfers between those parts under the discretionary authority delegated to the Secretary-General.

111. Any decision to place both accounts into a single budget section should therefore be based on administrative and governance efficiency criteria, such as:

- (a) Savings in documentation requirements;
- (b) Savings in the time required for governance processes within the Committee for Programme and Coordination, the Advisory Committee and the Fifth Committee;
- (c) Any resulting presentational benefit in reducing the number of United Nations budget sections.

Proposal 7

Combine sections 23 and 35 into one section with two parts

112. It is doubtful that any significant reduction in documentation would be achieved through this process. It is nevertheless possible that some savings in governance time and perhaps a better informed discussion could be achieved if the two programmes of the regular budget devoted exclusively to technical cooperation could be considered together. A slightly simplified overall United Nations budget structure would also result from the elimination of one budget section. Since there would appear to be little downside and some modest benefits, it is proposed that the General Assembly consider a single budget section with two separate parts.

IX. Conclusion

113. The General Assembly may wish to consider what action it wishes to take with regard to the report and the proposals contained in sections VI, VII and VIII.

Notes

¹ In paragraph 48, the General Assembly requested the Secretary-General to undertake a fundamental and comprehensive review of the regular programme of technical cooperation and to make appropriate proposals to the General Assembly at its fifty-ninth session.

² In paragraph 58, the Secretary-General was requested to submit a comprehensive report to the General Assembly at its fifty-ninth session addressing possible measures to improve the performance of the Development Account, including ways and means aimed at bringing a more focused approach to project formulation, complementarity, implementation and evaluation, as well as to make proposals on increasing its funding in accordance with General Assembly resolutions 52/12 B of 19 December 1997 and 54/15 of 29 October 1999.

³ A/58/6 (Sect. 23), table 23.3, footnote a.

⁴ See *ibid.*, table 23.1.

Annex I

Criteria for the regular programme of technical cooperation

The most extensive set of guidelines enunciated for the regular programme of technical cooperation were prepared by the former Department of Technical Cooperation for Development of the Secretariat and were discussed and accepted by the Governing Council of the United Nations Development Programme (UNDP) in 1980. These criteria were the following:

- (a) Given the constraint of resources, their optimum use is more important than ever;
- (b) They must be directed to activities likely to have significant impact on the development process;
- (c) By the same token, they must have a demonstrated multiplier effect;
- (d) They must reflect the global development priorities enunciated by the General Assembly, the Economic and Social Council and other legislative bodies, concerning implementation of a new international economic order, the International Development Strategy, technical cooperation among developing countries and related concerns;
- (e) They must also accord with the development needs and priorities of individual countries;
- (f) However, because they are so limited, resources will not normally be invested in country projects unless these are clearly of a pilot and innovative character, the results of which can be given wider application;
- (g) Specific projects should have a limited duration so that funds are not tied up for prolonged periods. This underlines the need for bridging arrangements with other, better-endowed funds (e.g. UNDP) once the trailblazing activity has produced positive results;
- (h) Emphasis should be laid on assisting the least developed countries;
- (i) Regular programme funds should go to improving specific "process" aspects of technical cooperation in response to General Assembly or Economic and Social Council resolutions or UNDP Governing Council decisions;
- (j) While the special and separate character of the regular programme must be observed, it may be necessary, because its funds are so limited, to use them in mutually complementary fashion, and even interchangeably, with other sources.

Over the years, three additional guidelines have emerged:

1. The resources should be concentrated in those fields of activity considered as high priority by the international policy-making bodies but less favoured in other programmes of technical cooperation;
2. The resources should be considered as "trailblazer" resources, opening new activities, on a pilot or experimental basis, which might then be taken up by other better-endowed funds once their viability has been shown;
3. The resources should be used to fill gaps where funds from other sources are insufficient to cover special areas.

Annex II

Regular programme of technical cooperation: expenditures for the biennium 2002-2003

	<i>Disbursement</i>	<i>Percentage</i>	<i>Percentage of the total regular programme of technical cooperation</i>
ECLAC			
General temporary assistance	3 132 975	66	
Consultants and experts	635 149	13	
Other personnel-related costs	125 230	3	
Travel on official business	765 200	16	
Contractual services		0	
General operating expenses		0	
Other		0	
Training	73 251	2	
Subtotal	4 731 805	100	10.8
ECA			
General temporary assistance	5 431 044	76	
Consultants and experts		0	
Other personnel-related costs		0	
Travel on official business	750 436	10	
Other	68 100	1	
Contractual services		0	
General operating expenses		0	
Training	937 712	13	
Subtotal	7 187 292	100	16.4
ECE			
General temporary assistance	2 663 890	93	
Consultants and experts		0	
Other personnel-related costs		0	
Travel on official business	195 984	7	
Other		0	
Contractual services		0	
General operating expenses		0	
Training		0	
Subtotal	2 859 874	100	6.5

	<i>Disbursement</i>	<i>Percentage</i>	<i>Percentage of the total regular programme of technical cooperation</i>
ESCAP			
General temporary assistance	2 265 100	52	
Consultants and experts	758 666	17	
Other personnel-related costs		0	
Travel on official business	256 771	6	
Other		0	
Contractual services		0	
General operating expenses		0	
Training	1 095 036	25	
Subtotal	4 375 573	100	10.0
ESCWA			
General temporary assistance	3 173 103	93	
Consultants and experts	5 588	0	
Other personnel-related costs		0	
Travel on official business	236 033	7	
Other	4 950	0	
Contractual services		0	
General operating expenses		0	
Training		0	
Subtotal	3 419 674	100	7.8
UNCTAD			
General temporary assistance	1 979 358	95	
Consultants and experts		0	
Other personnel-related costs		0	
Travel on official business	97 078	5	
Other		0	
Contractual services		0	
General operating expenses		0	
Training		0	
Subtotal	2 676 436	100	4.7
UNDCP/Centre for International Crime Prevention			
General temporary assistance	1 021 700	72	
Consultants and experts	77 756	5	
Other personnel-related costs		0	
Travel on official business	132 536	9	
Other	18 882	1	

	<i>Disbursement</i>	<i>Percentage</i>	<i>Percentage of the total regular programme of technical cooperation</i>
Contractual services	12 240	1	
General operating expenses		0	
Training	152 412	11	
Subtotal	1 415 526	100	3.2
Department of Economic and Social Affairs			
General temporary assistance	9 408 806	72	
Consultants and experts	627 475	5	
Other personnel-related costs		0	
Travel on official business	1 171 064	9	
Other	17 621	0	
Contractual services	179 610	1	
General operating expenses	157	0	
Training	1 714 202	13	
Subtotal	13 118 935	100	29.9
Office for the Coordination of Humanitarian Affairs			
General temporary assistance	695 402	72	
Consultants and experts	47 322	5	
Other personnel-related costs		0	
Travel on official business	5 946	1	
Other		0	
Contractual services		0	
General operating expenses	39	0	
Training	213 277	22	
Subtotal	961 986	100	2.2
Office of the United Nations High Commissioner for Human Rights			
General temporary assistance	1 223 973	44	
Consultants and experts	118 173	4	
Other personnel-related costs	237	0	
Travel on official business	946 581	34	
Other	18 679	1	
Contractual services	9 634	0	
General operating expenses	50 250	2	
Training	411 758	15	
Subtotal	2 779 285	100	6.3

	<i>Disbursement</i>	<i>Percentage</i>	<i>Percentage of the total regular programme of technical cooperation</i>
UN-Habitat			
General temporary assistance	866 062	89	
Consultants and experts	4 184	0	
Other personnel-related costs	18 831	2	
Travel on official business	66 677	7	
Other	7 528	1	
Contractual services		0	
General operating expenses	11 388	1	
Training		0	
Subtotal	974 670	100	2.2
Total			
General temporary assistance	31 861 413	72.6	
Consultants and experts	2 274 313	5.2	
Other personnel-related costs	276 834	0.6	
Travel on official business	4 491 770	10.2	
Other	135 760	0.3	
Contractual services	201 484	0.5	
General operating expenses	61 834	0.1	
Training	4 597 648	10.5	
Grand total	43 901 056	100.0	100.0

Annex III

Modalities in use for programming of regular programme of technical cooperation funds

The following paragraphs contain some examples of some of the programming tools that are used.

1. Call letters: the coordination units (often the technical cooperation divisions) of some entities circulate formal letters to the substantive divisions requesting proposals for the use of the funds that are consistent with the overall guiding criteria for the regular programme of technical cooperation and with the entity's own priorities as determined by its governing body. Call letters are not intended to lock up all of the regular programme of technical cooperation allocation through advanced planning, since they also allow for urgent requests to be submitted for funding outside of the call letter process to maintain the ability to respond to urgent needs.
2. Substantive division work plans: most substantive divisions prepare annual or biennial work plans that include their anticipated technical cooperation activities, including those funded by the regular programme of technical cooperation.
3. Adviser work plans: in most entities, each sectoral or regional adviser prepares a work plan for his or her own activities. In most cases, these individual work plans are clearly linked to the broader work plan of the substantive division which they serve. Since the advisers are exclusively dedicated to technical cooperation activities, the work plans position the regular programme of technical cooperation and other sources of technical cooperation within the broader divisional strategy.
4. One regional commission with a well-balanced disbursement pattern between salaries, travel and training programmes has been using the following processes:
 - (a) The regional commission has a technical cooperation plan that encompasses all of its technical cooperation activities. The plan is approved by the commission and performance reporting is provided after the fact;
 - (b) Staff circulate a document to the Government members of the commission outlining the availability of regular programme of technical cooperation funds for advisory services and indicating the priority sectors in which services are available;
 - (c) Technical cooperation unit staff circulate a memorandum at the beginning of the planning cycle to all substantive divisions that requests submissions, outlines the need to maintain flexibility for urgent requests, outlines the criteria guiding the use of the funds (which combines the overall guiding criteria for the regular programme of technical cooperation and the regional commission's own supplemental criteria), outlines the monitoring and reporting that will be required for each approved activity and outlines the type of information that will be required to allow for follow-up evaluation;
 - (d) Each adviser prepares a personal work plan in a standardized format (which includes goals, actions and performance indicators) that must be fully integrated with the work plan of the substantive division and which must be approved by the substantive division head;

(e) Each individual activity has its own log frame, as the regional commission has fully moved to a results-based management approach for all technical cooperation activities;

(f) Each individual activity has a required reporting framework that varies according to the size of the activity and includes such elements as feedback questionnaires for participant evaluation of activities and progress and terminal reports according to the standard formats of the regional commission;

(g) This regional commission is now assessing ways in which limited thematic or issue evaluation activities might also be pursued.

5. The approach of this regional commission appears to effectively address the need to balance planning according to key priorities with the need to remain responsive. Most implementing entities have equivalent versions of this type of process. Many are not so sophisticated, but the basic elements are there to allow reasonable confidence that programming effectively links the overall criteria, the entity-specific criteria and responsible management.

Annex IV

Main steps in programming the Development Account

1. The following represent the main steps:

(a) An overall theme for the Development Account that helps to determine what projects will be given priority^a is proposed by the programme manager and endorsed by the Executive Committee for Economic and Social Affairs^b for the biennial period;

(b) A call letter goes forward to the implementing entities providing the theme and requesting project submissions;

(c) Concept papers are submitted to the programme manager by the interested implementing entities for projects that are relevant to their normative and analytical work and which are consistent with their approved activities, as outlined in the United Nations strategic framework;

(d) Proposals are reviewed by a small group appointed by the programme manager and those that most meet the criteria and can be financed within the expected approved Development Account budget are submitted for approval to the Executive Committee for Economic and Social Affairs;^b

(e) Approved concept papers are then included in the budget fascicle in a standard format and submitted to the General Assembly for approval as part of the biennial budget approval process;

(f) When the budget and the projects are approved by the General Assembly, the implementing agency develops a full project document based on the approved concept paper;

(g) Each project document is reviewed by the programme manager and, when approved, an allocation for the project is authorized and implementation can commence.

2. The programme manager has issued and regularly updates the web site "Guidelines on how to develop a Development Account project document based on the concept paper". The project documents are required to contain the following elements (not all elements are listed):

(a) Link to the strategic framework and to the Millennium Development Goals;

(b) Problem analysis (including a framework for a diagrammatic "problem tree");

(c) Objectives, expected accomplishments and strategy (including a framework of an "objective tree");

(d) Provisions for monitoring and evaluation;

(e) External factors (particularly risk assumptions);

(f) Implementation arrangements;

(g) A logical framework, containing:

(i) Expected accomplishment;

- (ii) Objectively verifiable indicators;
- (iii) Source of verification;
- (iv) Risks and assumptions;
- (h) A results-based work plan, containing:
 - (i) Expected accomplishment;
 - (ii) Main activity;
 - (iii) Time frame by output/activity;
- (i) A results-based budget, containing:
 - (i) Expected accomplishment;
 - (ii) Main activities or group of activities;
 - (iii) Split of activities and outputs by budget categories;
 - (iv) Amount.

Notes

^a For the biennium 2004-2005, the theme was "Projects which focus on meeting the Millennium Development Goals through knowledge management, partnerships and taking advantage of information and communication technology".

^b The chosen theme is normally quite broad and is selected to correspond to the overall orientation of the United Nations strategic framework in the economic and social areas.

Annex V

Use of advisers

1. A number of concerns have been expressed by those interviewed for the present report about the use of advisers. It must be noted that the concerns set out below are not universally held, nor are they intended to apply to all advisers:

(a) Advisers do not always represent the most optimal use of the scarce regular programme of technical cooperation funds available, locking in a large percentage of the entity's regular programme of technical cooperation allocation and thereby reducing the ability to respond through other mechanisms, such as consultants, distance learning, training or field projects;

(b) Advisers can cause internal relationship problems with core staff, as they receive equal pay without any management or administrative responsibilities and have country-level connections not enjoyed by the staff;

(c) Advisers are being used to implement staff functions where core posts cannot be obtained through the regular programme budget (the shadow-staffing effect);

(d) Advisers maintain direct links with senior officials at the country level and may use such contacts to generate requests for their services that may not be consistent with the entity's broader strategic priorities;

(e) Advisers have excessive independence and their work is not always well integrated into the work programmes of the substantive divisions, while the somewhat arbitrary line drawn between advisers and staff means that advisers may not always be used as effectively as possible if the overall work plan is considered;

(f) Some advisers have been under contract for so long (through a recurring series of short-term contracts) that a de facto career path has been built, leading to the expectation of the adviser to continue to receive contracts until retirement, while creating within the entities a humanitarian sense of loyalty that mitigates against change;

(g) In some cases, the advisers are largely dedicated to project formulation, with the risk that the projects are more supply driven than demand driven.

2. The following observations are made in response to the concerns outlined above:

(a) In many cases, the work of advisers is highly valued and they are seen as an important net asset for the system. Most entities consider their advisers to be important elements of the entity's "institutional memory", particularly on technical cooperation issues, but also to some extent on the normative and analytical functions. In some cases, this institutional memory argument is made so forcefully that it tends to describe an unhealthy situation, where institutional memory is excessively concentrated in the person of the adviser, who is a temporary employee and who could thus be lost to the Organization on short notice;

(b) Most entities recognize that certain tensions can exist between advisers and core staff, with real or perceived grievances existing on both sides. These tensions appear to be most prevalent in the case of long-serving advisers, who may on occasion consider themselves somewhat insulated from the change forces within

the entity that are experienced by its staff. However, most of the managers interviewed believe that these problems are manageable and that they are decreasing as regular review and turnover of advisers within a reasonable time frame is exercised by senior management (see discussion below);

(c) Out of a very real commitment to enhancing both effectiveness and efficiency of the regular programme of technical cooperation, many entity managers are increasingly trying to break down the clearly defined historical barrier that may have existed between staff and advisers. Advisers are being increasingly integrated into divisional or thematic work programmes. When not fully committed to field advisory missions, they are being asked to help achieve divisional objectives. Similarly, staff are being used and their travel costs are being funded by the regular programme of technical cooperation when a staff member is considered to be the most suitable person for a particular assignment. This type of creative managerial response contributes to a better overall utilization of resources, but it further blurs the distinction between advisers and staff and complicates any assessment of the appropriate use of regular programme of technical cooperation funds;

(d) To the extent that "self-generated" workloads by advisers with excellent field contacts may have been a problem in the past, a variety of measures are increasingly making this difficult. Individual entities are reviewing requests in the light of the priorities established by their own governing bodies and normally advisers are contracted according to those priorities. The work plans of the advisers are being increasingly integrated with either the divisional or thematic work plans of the entities. Results-based approaches bring increased discipline to the system. All of these approaches should lessen the danger, but strong and effective management is also required;

(e) The senior management of most of the implementing agencies have been sensitized to the possible negative implications of very long-serving advisers and have moved in a variety of different ways to correct the situation. Most now consider that the status of individual advisers requires review after five years under contract. One entity has adopted a system where it automatically declares the adviser post vacant after five years. If it decides to continue with an adviser in the same field, the incumbent may reapply and if he or she is considered the most qualified, may be re-contracted. This approach has the merits of forcing a review of the continued priority for an adviser in that sector, is fair to the adviser, in that the process is clearly defined and allows the adviser to continue if that is in the best interests of the entity. Others have a less formal process, but which is also oriented towards a five-year appropriateness concept. However, some managers are against any concept of a "term limit" for advisers, arguing that their areas of demand are stable over long periods of time and that a very experienced adviser is an extremely valuable tool for the entity. This argument may be valid in some cases, but it is also evident that, after a certain period of time, management does, in fact, lose much of its flexibility due to the humanitarian and legal considerations that come into play in dealing with advisers with 15 or more years of service.

3. Information was available on the length of time under contract for 44 advisers in several implementing entities. The approved budget for the biennium 2004-2005 would allow up to 93 advisers to be recruited for the entire period.

Table 6.1
Time under contract

<i>Time under contract</i>	<i>Number of advisers</i>	<i>Percentage of sample</i>
> 15 years	3	7
10-15 years	9	20
5-10 years	21	48
< 5 years	11	25
Sample total	44	100

4. Control considerations related to the management of advisers have also introduced certain unintended rigidities into the management of each entity's regular programme of technical cooperation allocation. In principle, a manager should be able to decide how best to use the limited regular programme of technical cooperation funds allocated by choosing between advisers, short-term advisers, consultants, training activities, field projects or other appropriate inputs. To ensure that the regular programme of technical cooperation is not applied 100 per cent to advisers' salaries, the budget also indicates the number of work-months of advisory services to be provided during the biennium. For example, in the budget for the biennium 2004-2005, it was reported that 2,232 work-months of advisory services would be provided. At 24 work-months per biennium, this translates into the equivalent of 93 full-time advisers. This total of 93 positions is then treated as a maximum and is allocated to the individual implementing entities: such that the Department of Economic and Social Affairs gets 18, the Economic Commission for Africa gets 17, the United Nations International Drug Control Programme gets 1, the Office for the Coordination of Humanitarian Affairs gets 2, etc. Once it has received an "adviser authority", an entity is extremely reluctant to give it up. Were an entity to decide to give up an adviser authorization to dedicate more money to training, it might never be able to get that authorization back should its priorities change in future years. The net result is that a measure that was intended to place a ceiling on the use of advisers in the regular programme of technical cooperation now acts as both a ceiling and a floor. This limits the ability of a manager to shift direction in response to changing priorities and to choose alternative approaches such as consultants, training, or field projects which may be more relevant to the programme's objectives at a given point in time.

5. It is also evident that numerous situations exist where advisers are carrying out largely staff functions because the function is considered important and no core post is available. Several entities clearly acknowledge this. It is also evident from looking at other reporting information. With so little flexibility in the system, it requires considerable discipline not to stretch interpretations on the appropriate use of regular programme of technical cooperation funds. The end objective of such "stretching" is often supportive of technical cooperation activities, but outside a disciplined application of regular programme of technical cooperation criteria or intent.

6. How can these distortions of the intended use of the regular programme of technical cooperation be minimized? It is difficult to develop criteria that are appropriate to all situations. If providing advisory services in the country is to be

considered the primary focus, then it is possible to look at questions such as the allocation of regular programme of technical cooperation funds between salaries and travel as an appropriate guide. Similarly, the number of missions (and their purposes) carried out by each adviser gives an indication as to those "getting out into the field" and those staying at home in Headquarters.

7. It is evident that some implementing entities are spending very little of their regular programme of technical cooperation funds on travel. A sample review of detailed travel data for the biennium 2002-2003 and funded under the regular programme of technical cooperation was done for several of the implementing entities. A number of observations can be made from this examination, which covered about 38 per cent of the advisers contracted under the regular programme of technical cooperation:

- (a) The average number of missions per adviser per year was 10.8;
- (b) If attendance at conferences or missions to developed countries were removed, the average number of missions per adviser per year was 8.0;^a
- (c) A number of missions (particularly of the type related to conferences) did not appear to be at the request of a developing country and seemed more oriented to representing the organization or participating in "professional meetings" than to technical cooperation;
- (d) Performance among individual advisers varied significantly, with some undertaking 10 to 12 missions per year and some doing only 1 or 2 (only advisers on board for the full period were used for this observation).^b

8. The relevance of using travel expenditures and mission data to determine the "legitimacy" of adviser activities under the regular programme of technical cooperation is arguable. Some entities argue that technical cooperation today is much different than in the past and often does not involve sending advisers to see senior officials in the field. Distance learning and web-based knowledge networks are increasingly the modalities of choice, allowing many more users to be reached. While acknowledging these trends, it is not evident that they alone can explain the virtual absence of mission travel in some entities. These trends also pose questions as to whether the ultimate intent of the regular programme of technical cooperation is to provide services largely in the developing countries or at both Headquarters and country levels. If the answer is the latter, then the line between staff and advisers becomes very blurred and the ability to monitor effectively the use of regular programme of technical cooperation resources requires much better reporting modalities.

Notes

^a Conferences were not identified in all of the data provided, so this number may be somewhat inflated.

^b Again, some of the data did not provide information on individual advisers, which means it was not possible to consider that entity in arriving at this general indication.

Annex VI

Reporting options

Option 1 — Using the budget fascicle

As outlined in the report, the regular programme of technical cooperation is somewhat unique in the United Nations, in that the programme levels and general allocation of funds are approved with only an indicative statement of how the funds will be used. These indicative descriptions nevertheless represent a considerable documentation burden of only marginal utility. A better use of this space might be to report on the results of the previously approved biennium. Given the time requirements for document preparation, there would have to be a one biennium lag in reporting. For example, the report for 2004-2005 would accompany the budget request for the biennium 2008-2009. The responsibilities of the coordinator and the implementing entities for inputting to this process would be as outlined earlier.

Option 2 — Using the programme performance report

This approach would require each implementing entity to report in its own section of the programme performance report on its use of regular programme of technical cooperation funds. A review of a number of the programme performance report sections indicates few, if any, references to section 23. This approach has the virtue of allowing all relevant data for each programme to be presented in one integrated report. The drawbacks of this approach are the following:

- (a) The reporting would not be consistent with the budget approval process, where the regular programme of technical cooperation is approved separately under section 23;
- (b) Singling out the relatively modest levels of regular programme of technical cooperation funding for special treatment in the individual programme reporting sections might significantly distort the structure of the overall programme report;
- (c) It would be very difficult to get a sense of the overall accomplishments of the regular programme of technical cooperation;
- (d) The programme performance report as it currently exists does not effectively link resources to activities to outputs and to impact.

Option 3 — Creating a section 23 in the programme performance report

This approach would have the benefit of grouping regular programme of technical cooperation reporting in one area, with the evident drawback being the lack of an integrated picture in the individual programme sections. An additional negative aspect is that the current programme performance report structure does not provide the type of linking between resources, activities, outputs and results that is usually expected for development assistance expenditures and which is provided through the separate report submitted for the Development Account.

Option 4 — Preparing a separate report (from the programme performance report) on the regular programme of technical cooperation (sect. 23)

This approach would essentially exempt the regular programme of technical cooperation from the integrated programme performance report process. As is the case with the Development Account, a separate report would be prepared by the programme coordinator in cooperation with the implementing entities which would meet the specific programme characteristics of the regular programme of technical cooperation. This approach has the obvious benefit of being "tailor-made" to the programme and to the demands of governance. It has the disadvantage of adding another report and another reporting format to the overall governance process.

Annex VII

Sample biennium disbursements report for the regular programme of technical cooperation for implementing entity xxx

Basic disbursement data for the biennium 2004-2005^a

	United States dollars	Percentage	Work-months	Per month (United States dollars)
General temporary assistance	2 233 589	63	168	13 295
Consultants and experts	194 993	5	15	13 000
Other personnel-related costs	237	0		
Travel on official business	715 055	20	183	3 907
Other	13 095	0		
Contractual services	5 034	0		
General operating expenses	16 033	0		
Fellowships, grants and contributions	367 459	10		
Total	3 545 495	100		

^a All numbers in the present annex are fictitious and for illustrative purposes only.

Activities report^b

Subprogramme	Number of work-months						Total time
	Office preparation					Total office time	
	Mission time	Mission preparation	Project preparation	Training materials	Other		
Subprogramme 1	16	12	18	4	2	36	52
Subprogramme 2	42	20	0	0	6	26	68
Subprogramme 3	6	4	0	24	0	28	34
Subprogramme 4	2	2	15	10	0	27	29
Total	66	38	33	38	8	117	183

^b In addition to this standard data, results and impact reporting would be customized according to the responsible programme manager.



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Integrated and coordinated implementation of and follow-up to the outcomes of the major United Nations conferences and summits in the economic, social and related fields

Follow-up to the outcome of the Millennium Summit

Follow-up to and implementation of the outcome of the International Conference on Financing for Development

Eradication of poverty and other development issues

Identical letters dated 20 September 2004 from the Permanent Representatives of Brazil, Chile, France and Spain to the United Nations addressed to the Secretary-General and the President of the General Assembly

Please find attached copies of the report of the Technical Group on Innovative Financing Mechanisms, issued on September 2004, entitled "Action against hunger and poverty" (see annex).

The report was prepared by the Technical Group deriving from the Geneva Declaration, which was subscribed by the Presidents of Brazil, Chile, France and, more recently, Spain, with the support of the Secretary-General of the United Nations.

It explores possible proposals for innovative ways of financing development, with their advantages and difficulties, in an attempt to demonstrate that there are indeed viable options to scale up international action through innovative approaches in parallel to traditional official development assistance flows, with a view to allowing for a balanced and inclusive globalization.

The report thus intends to provide a significant input to the ongoing discussion on innovative funding for development. The theme is especially relevant in the context of the follow-up to and implementation of the outcome of the International Conference on Financing for Development, as well as the follow-up to the United Nations Millennium Declaration, in the process leading to the high-level plenary meeting of the General Assembly, with the participation of heads of State and Government, to be held at the commencement of the sixtieth session of the General Assembly, in accordance with General Assembly resolution 58/291.



We have the honour, therefore, to request you to circulate the present letter and its annex as a document of the fifty-ninth session of the General Assembly, under agenda items 45, 55, 84 and 89.

(Signed) Ronaldo Mota **Sardenberg**

Ambassador

Permanent Representative of Brazil to the United Nations

(Signed) Heraldo **Muñoz**

Ambassador

Permanent Representative of Chile to the United Nations

(Signed) Jean-Marc **de La Sablière**

Ambassador

Permanent Representative of France to the United Nations

(Signed) Juan Antonio **Yáñez-Barnuevo**

Ambassador

Permanent Representative of Spain to the United Nations

Annex to the identical letters dated 20 September 2004 from the Permanent Representatives of Brazil, Chile, France and Spain to the United Nations addressed to the Secretary-General and the President of the General Assembly

[Original: English, French and Spanish]

Report of the Technical Group on Innovative Financing Mechanisms

September 2004

Action against Hunger and Poverty

This report has been prepared by the Technical Group deriving from the 2004 Geneva Declaration, which was subscribed by the Presidents of Brazil, Chile, France and, more recently, Spain, with the support of the UN Secretary General.

The Geneva Declaration states that the fight against hunger and poverty and the promotion of development will not be accomplished unless the gap between political undertaking and development financing is urgently bridged. At the moment, the implementation of financial commitments assumed by all nations remains uneven and slow. On current trends, the agreed goals and target dates will simply not be met.

Consensus runs deep that current aid levels will not suffice to finance the Millennium Development Goals (MDGs). United Nations and World Bank estimates indicate the need to increase the amount of aid currently available by at least US\$ 50 billion per year until 2015.

In this perspective, the Group has studied various proposals for innovative ways of financing development.

The Group builds on existing work on the subject, including current efforts led by the United Nations. At its 24th Special Session, the UN General Assembly requested the international community to "conduct a rigorous analysis of the advantages, disadvantages and other implications of proposals for developing new and innovative sources of funding, both public and private, for dedication to social development and poverty eradication".

Why may innovative ways be necessary?

Inflows of Official Development Assistance (ODA) play a valuable role in providing countries with the immediate resources needed to unleash economic growth with social development. Foreign aid can be a decisive factor in improving economic infrastructure as well as education and health indicators.

But ODA today may be in need of a new -supplementary- approach aiming both at increasing the amount of resources available and ensuring better predictability of aid flows. That has been recognized as a particularly important condition for maximizing the impact of ODA. Rapid variations in the inflow of resources have a very negative incidence on the effectiveness of aid.

Existing sources of financing do not ensure predictability. Aid pledges depend upon internal budget decisions – which, in turn, are conditioned to changeable political circumstances. They lead to the suspension of projects that may never be resumed and may increase macroeconomic instability, especially when some expenses are made before resources are materialized.

The supply of more efficient, focused and predictable flows of aid capable of eradicating poverty in the world is truly a "public good" whose benefits would accrue to all nations. It will also help answering the much-debated question of absorption capacity: if aid were more stable, it could be absorbed and administered more effectively, and in larger amounts. Predictability should also contribute to transparency in the use of aid in recipient countries.

The Group has analysed a panoply of mechanisms for increasing aid flows – ranging from instruments that would be relatively easier to implement, including voluntary donation schemes, to other tools that would request strong and concerted political action.

All of them have in common, however, the premise on economic rationality. They are technically possible to implement and have already been analysed, in different degrees of detail, by renowned economists and scholars. They all share some basic principles. They are geared at supplying stable, predictable and substantial development assistance to poor countries. The idea is to make use of existing bilateral and multilateral channels for disbursement of resources. Funding should be made available preferably in the form of grants. Finally, resources raised should be managed in a transparent manner, so as to provide for adequate accountability of their use.

This report does not intend to present an exhaustive analysis of all possible mechanisms, nor to provide definite and prescriptive answers as to which of them should be adopted. It explores various options with their advantages and difficulties, in an attempt to demonstrate that there are indeed viable options to scale-up international action through innovative approaches in parallel to traditional ODA flows, with a view to allowing for a more balanced and inclusive globalization.

In so doing, Brazil, Chile, France and Spain welcome other countries, multilateral organizations, and the civil society, in particular NGOs, business community, trade unions and academia, to join efforts to implement the proposals.

Taxation of Financial Transactions

Monetary and financial assets are traded in broad, deep and liquid markets, many of which operate across the globe. The resulting volumes are consequently significant, even when measured against the commonest macroeconomic aggregates. Very low rates of taxation could yield high revenues, provided they are levied in a relatively coordinated manner among the major financial centres. Those taxes are examined with the sole purpose of raising funds for development. The level of taxation should be therefore low in order to minimize market distortion and the risk of evasion.

The impact of a transaction tax on investment decisions would be probably negligible, in comparison with that stemming from other measures or prudential

regulations surrounding the portfolio decisions of many financial intermediaries and institutions.

For many assets, there are already significant transaction costs compared to which a new, small increase in cost would probably have only a marginal impact. This is not the case in all markets, however, and any eventual taxation should therefore be considered with caution. Overall, a low rate of taxation on financial transactions could prove far less distorting than a higher rate of taxation applied to smaller tax bases.

The report concludes that a tax on foreign exchange transactions is technically feasible on a global level. It recommends that such a tax should be levied at the payment/settlement stage both for practical reasons and to minimize the risk of evasion.

Market making activities would have to be exempted. A tax would cause these activities to be in a state of permanent loss, which could lead either to further concentration among a very small number of major players, or to the complete demise of these activities, with the market adopting a different model of centralized price quotation. From the point of view of market efficiency and stability, the effect is uncertain. From the point of view of the tax, a sizeable fraction of the tax base would definitely disappear.

There is a risk of over taxation of some specific financial instruments (swaps, options). In theory, the tax could be circumvented by the use of derivative products or by swapping liquid securities denominated in two currencies, in place of the currencies themselves. However, these operations are more expensive and riskier than the straight transaction and would probably not be worthwhile if the tax rate were sufficiently low.

Taxation of the Arms Trade

The main rationale for such a taxation is that arms expenditures divert substantive financial, material and human resources that could be otherwise invested in social programs. Taxation would help raising funds to social-oriented projects and could lead to a reduction in acquisitions at least for some categories of weapons. It would also bring greater transparency and accountability in the arms trade, thus contributing to confidence and security building both at regional and international levels.

When devising the tax one should bear in mind that countries, including developing countries, have a right to defend themselves, whether they do produce or not the weapons they need. Also, the arms trade is both very competitive and highly concentrated, on the producer side. Universal participation is therefore a necessary condition.

For those reasons it is proposed the tax should be levied on all, new or used, heavy conventional weapon transactions, including purchases and donations, whether international or domestic. The tax levied on domestic transactions could be seen as a contribution to development financing made by arm producers, in direct proportion of their military equipment budget. This would send an important symbolic and political signal to the international development community.

For practical reasons, taxation should start with the seven categories of heavy conventional arms covered by the United Nations Arms Register. At the same time, full support should be given to the work that is being developed in the framework of the United Nations to conclude an international instrument on monitoring and marking of small arms and light weapons.

The greatest challenge is enforcement. Clarification and consultation provisions would need to be foreseen, both in order to check the accuracy of national declarations and as a deterrent to tax evasion. But attention should be also paid to issues such as the scope for the tax (components, technology transfers, immaterial goods, non commercial transactions).

International Financial Facility

The International Financial Facility (IFF) is a development financing mechanism proposed by the UK Government. Its objective is to allow for the frontloading of aid disbursements. It is based on an indebtedness scheme through which participating States securitize their increases in future ODA on the bond markets.

The main and strongest advantage of the IFF is that it does not require universality of participation and thus can be more easily implemented in the short term. It can be established on a regional basis or by a group of countries, since it does not immediately weigh on the economy and hence does not create problems of competitiveness for the contributing countries.

It would generate resources in a stable and predictable manner, the rate of disbursement being disconnected from that of contributions.

Careful attention must be given to the way commitments and the related bond placements are to be considered in national fiscal accounts, so as to forestall the possibility that they would be registered as government liability in domestic accounts and thus result in higher debt to GDP ratios in donor countries. Also, the IFF's governance structure still has to be drafted. It is important to ensure that new organizational costs be the lowest possible, so as not to erode political support for the Facility.

It is not clear whether middle-income countries affected by hunger and poverty problems would also be entitled to benefit from the mechanism. It would be interesting to analyse the possibility of taking into account not only aggregate national statistics, but also regional indicators among the IFF's eligibility criteria for the destination of resources, thereby not excluding some middle-income countries from the mechanism's scope of application.

As with all borrowing, the IFF transfers the burden of repayment onto future generations and therefore creates a major question mark for the long term future. After 2015, a fraction of developed countries' ODA budgets will be absorbed by IFF repayments. At that point, this could lead to a sharp reduction in net flows toward poor countries. This is a real risk, especially for those countries in Sub-Saharan Africa which, even on strong assumptions for growth and increasing national tax revenues, will still be unable to shoulder the burden of public spending essential to human development. There should be a mechanism guaranteeing that after 2015 aid will still flow on an additional basis and in sufficient amounts to those countries.

The IFF constitutes a creative mechanism that could effectively address the urgent vital need for raising resources to the combat against poverty and hunger. The IFF also has significant complementary features with international taxation schemes outlined in this Report. The mechanism can be used jointly with other instruments when expenditures designed to benefit present and future generations are closely combined within a single program or action.

SDRs for Financing Development

The idea of issuing new Special Drawing Rights (SDRs) for development purposes was first raised in the 1960's. More recently, the proposal loomed again in the context of international efforts to identify new sources of funding to meet the Millennium Development Goals. New allocations of SDRs would present more than one advantage. While incrementing the amount of resources currently available to the fight against hunger and poverty, new SDRs would significantly address financial volatility and imbalances and contribute to the creation of an international economic environment more conducive for development with social equity.

The IMF's Board of Governors approved a one-time allocation of SDRs in September 1997 through the proposed Fourth Amendment of the Articles of Agreement, the purpose of which is to enable all IMF members (including those who have joined after the date of the last allocation, in 1981) to participate in the SDR system on an equitable basis. The first challenge is therefore to galvanize political support to get the pending Fourth Amendment approved. Then, developed countries could agree to make available their share in this allocation, either to developing countries or to existing multilateral Funds.

The idea is that existing or future SDRs could be used for development purposes, thereby enhancing the efficiency and stability of the world economy.

SDRs could also be issued on a temporary basis during episodes of widespread financial stress and significant drop in commodity prices, and could be cancelled once financial conditions are normalised. Such an approach would provide for a useful counter-cyclical component in world liquidity management. It is known that developing countries, in general, continue to face the longstanding volatility of their export proceeds and private capital inflows. The systematic allocation of new SDRs could help and alleviate this volatility.

One could also consider the possibility of issuing new permanent SDRs, for instance, by an amount equivalent to a fraction of the annual increase in the demand for international reserves.

Transfers of SDRs, however, raise the issue of interest charges due by recipients, which will have to be dealt with according to individual countries situations.

Tax Evasion and Tax Havens

Tax evasion is a phenomenon of great magnitude that impairs fiscal revenues of governments and is especially detrimental to the domestic efforts to increase tax revenue in developing countries. Tax evasion frequently involves offshore financial

centres, as concealment seeks the protection of systems combining zero or low taxation with banking secrecy.

Further joint and concerted international action is necessary to reduce the erosion of national tax bases.

Reducing tax evasion and bringing more transparency to financial operations are international public goods, that additionally can contribute to increase financing to fight poverty and to enhance development. In all, it would increase world welfare.

Given its global nature, the issue of tax evasion must be dealt with in the context of strengthening international cooperation in tax matters. There must be no relaxation of efforts currently underway. If the expected results fail to materialize, States engaged in this process should consider taking coordinated defensive measures, particularly fiscal measures.

Increasing Remittance's Benefits

Globalization is characterized by the existence of important international flows of workers. The decision to migrate frequently emerges from a family recognition of the need to obtain an additional source of income. Remittances tend to be much less pro-cyclical than other flows, thus providing a more stable and predictable source of financing. They are normally spent in common expenses such as food, housing and utilities, and therefore represent an alternative safety net in developing countries.

The cost of sending remittances should be reduced. Therefore, the first and foremost measure would be for developed countries to facilitate foreign workers' access to financial institutions at an affordable cost. At the same time, the financial systems of many developing countries do not generally reach the majority of their populations. Assistance should be given to developing countries, when needed, to spread the base of the financial sector in order to efficiently channel these flows towards productive activities, including the access to microfinance by families of recipients.

Voluntary Contributions through Credit Cards

Voluntary contributions are also an important dimension of the effort to raise new resources to financing the fight against hunger and poverty. Credit card-based donations, in particular, have already been in place in many parts of the world. The launching of an affinity card identified with the implementation of the Millennium Development Goals could build on existing successful experiences involving banks, credit card companies and individuals.

As with other affinity cards available in many countries, clients would simply agree to donate a small percentage of the value of their purchases to the worldwide campaign against hunger and poverty. In addition to contributions focused on individuals, options involving a joint voluntary effort by credit card holders and the major credit card companies and associated banks also deserve consideration. Some of these companies and/or banks could indeed agree to donate a very small percentage of their earnings with annual fees, interests etc. of their contributing clients.

Since it involves the coordination among a relatively small number of actors and builds on existing experiences, the initiative could be implemented in the short run. Benefits would stem not only from the amount of resources raised, but also from the increased publicity of the Millennium Development Goals among consumers and private companies from all parts of the world.

Socially Responsible Investing or "Ethical Funds"

Socially Responsible Investing (SRI) refers to investment decision-making processes that combine the social and environmental dimensions of investments with rigorous financial analysis. Over the past two decades, concerns about global warming, human rights and labour standards have been at the forefront of socially responsible investing. More recently, an important initiative was launched by United Nations Secretary General Kofi Annan – the "UN Global Compact" – congregating today more than 1600 companies from all regions of the world which have agreed to follow a set of common principles on labour standards, environment protection and human rights. SRI encompasses three main investing strategies: shareholder advocacy/activism, community investing and portfolio screening.

The bulk of SRI strategies refers to portfolio screening, i.e., the practice of including or excluding publicly traded securities from investment portfolio or mutual funds according to certain social or environmental criteria. For instance, investors who stick to positive screening tend to channel their money to companies that follow above average records in terms of pre-established values – like better employer-employee relations, social policies or the safety and social usefulness of their products.

Funds oriented to social values – the so-called "ethical funds" – are becoming very popular among investors. Estimates show that SRI funds have reached the impressive figure of US\$ 5.9 trillion all over the world.

However, the fight against poverty and hunger has not so far been explicitly taken as a SRI screen. The constitution of portfolios of securities of companies from different parts of the world that are committed to allocate resources to fighting hunger and poverty in developing countries should be encouraged. Such funds could yield good financial performance while providing an incentive for companies to invest more systematically in social programs for hunger and poverty eradication.

The mechanism would build on existing successful experiences, all of which based on voluntary participation. The initiative is expected to request relatively low administrative costs and relatively low international coordination efforts.

Final Remarks

The list of innovative mechanisms examined in this Report is neither exhaustive, nor prescriptive. The Group kept an open mind with regard to other suggestions analysed elsewhere. The Group acknowledges that there are political constraints for the adoption of new mechanisms. There is no intention of proposing such mechanisms as the ultimate solution to development financing, in substitution for traditional forms of official assistance, debt relief or trade-related measures that would help promote growth in developing countries.

The mechanisms analysed in this Report are not conceived simply as a provisional measure to address urgent needs of developing countries. Rather, they are designed as means of providing for a predictable and continuous flow of resources over time, so that recipient nations could succeed in the pursuit of long-term development in a more efficient manner.

With regard to modalities of participation, it should be borne in mind that some mechanisms would be compatible with "flexible geometry" coalitions, by bringing together groups of interested parties. Nonetheless, with respect to taxation schemes, the widest possible participation, including by all key players, often seems to be necessary. Although this requirement may represent a serious obstacle to their entry into force, taxation mechanisms would still be worth pursuing. By providing for resources in a stable and predictable manner, taxation schemes would efficiently complement ODA, which suffers from ineffective fluctuation in its level due to donors' domestic budget contingencies. Taxation mechanisms could complement other mechanisms, by offering the possibility of combining different modalities of financing devoted to more immediate, urgent measures and to long-term, structural projects.

It is crucial that resources raised through innovative mechanisms are truly additional, and do not crowd out current ODA flows. The channelling and use of the resources levied through these innovative mechanisms will be guided by the following general principles: efficiency, accountability, and transparency.

The mechanisms examined should be seen within different timeframes of maturity. In fact, some of the instruments examined would be ripe for adoption in the short term, either because they have sufficient critical mass and in-built financial engineering, or by virtue of their apparently simple conceptualization and implementation, or yet by the fact that they would be based on national successful stories.

We must recognize that it is time to consider the subject of alternative sources of financing as a top priority. The international community cannot afford a wait-and-see attitude. Each year lost represents an increase in resources needed in the run-up to 2015. Let us not waste further time.